

**Horowhenua District Development Contributions Policy – 2021-2041** \_\_\_\_\_ **3**

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# Horowhenua District Development Contributions Policy – 2021-2041

## Part 1 – Introduction, policy decisions and practical application

This development contributions policy is in two parts. **Part 1** gives context to the policy and sets out the decisions the Council has taken in making the policy. It then describes the steps to be followed when applying the policy to development applications.

**Part 2** is a separate document setting out the legislative matters the Council has had to consider, the method of calculating the contributions, significant assumptions, and other supporting material.

This policy is operative from 1 July 2021, and is based on capital expenditure proposed in the Long Term Plan 2021-41. It takes direction from Council’s Revenue and Financing Policy on which activities are to be funded by development contributions. The various sections of the policy cover:

- **Section 1** - the purpose of the policy, the growth and infrastructure context and a comparison between development contributions and other sources of funding.
- **Section 2** - the decisions the Council has taken in making this policy.
- **Section 3** - the way the policy will be applied in practice.
- **Section 4** – the legislative matters the Council has considered.
- **Section 5** – the way in which development contributions are calculated.

## Section 1 - Introduction

### 1.1 Purpose

1.1.1 The Horowhenua Development Contributions Policy 2021-2041 is made under the Local Government Act 2002 (the Act). The Council has to manage its financial dealings prudently and in the current and future interests of the community<sup>1</sup>. In doing so, it must be sure about the sources and levels of funding it will use for the activities it carries out<sup>2</sup>. There are various funding sources available to the Council. To use these, it has to adopt a number of financial and funding policies, one of which is a policy on development contributions or financial contributions<sup>3</sup>.

1.1.2 The policy is based on capital expenditure proposed in the Long Term Plan 2021-2041 and is adopted as one of the source documents that will meet some of the funding needs in the long term plan.

1.1.3 The purpose of this policy is to:

- a) provide predictability and certainty to developers that the Council can give them the infrastructure they need to support their investments;

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<sup>1</sup> Section 101(1)

<sup>2</sup> Section 102(1)

<sup>3</sup> Section 102(2)(d)

- b) ensure developers know what they are paying for and that development is not discouraged by high infrastructure costs; and
- c) ensure the existing community is not burdened by the costs of growth, but does contribute to growth infrastructure when it provides a clear benefit to them by improving their existing levels of service, renewing aging assets or helping them meet new legislative standards.

## 1.2 Why have this policy?

- 1.2.1 When growth in population and business takes place, new development is carried out to accommodate it. The extra traffic, water consumption, wastewater generation and stormwater run-off from that development, all take up spare capacity in Council's infrastructure. Unless provision is made, that capacity can be used up over time and networks start to fail. Traffic congestion, low water pressure or quality, wastewater overflows and flooding can all signal a failure to keep up with growth. In some cases, parks, libraries and other public amenities can become crowded as the capacity they were designed for is used up.
- 1.2.2 To avoid this, the Council plans ahead and puts capital spending in its budgets to provide more capacity to service growth when it is needed.
- 1.2.3 While the community may welcome growth, it should not be expected to fund extra infrastructure, particularly when it is already at the right levels of service.
- 1.2.4 In New Zealand, financial and development contributions are the two main sources of growth funding available to local authorities.

## 1.3 Other sources of funding growth related capital spending

- 1.3.1 Financial contributions are usually used for local infrastructure directly associated with a new development – that is, within, nearby or linking it to wider public networks. Council will not normally get involved financially with this local infrastructure. It expects developers to provide it and vest it with Council once it is completed to the right standard, with no financial contribution required.
- 1.3.2 In some situations though, it may be best for Council to become financially involved. It can decide to enable development by building a piece of local infrastructure and then charging financial contributions to recover its costs. Typically, this happens where multiple developers are involved and it is not fair or practical for one developer to provide local infrastructure ahead of others who will also benefit from it. Financial contributions are a good funding source in this situation.
- 1.3.2 The Horowhenua Financial Contribution Policy (2015), was adopted at a time when little or no growth was taking place. It does not summarise the total cost of growth-related capital spending or the proportion to be funded by financial contributions. Until it is reviewed, it will not be a viable source of funding for growth.
- 1.3.4 In making this policy, the Council has considered other sources of funding, so as not to unduly burden and potentially discourage development with development contributions. These sources include:

- a) grants and subsidies – principally Waka Kotahi NZ Transport Agency subsidies for the district’s roading activity and also Crown Infrastructure Partners (CIP) grants for supporting infrastructure for the Tara-Ika development at Levin;
- b) targeted rates payable under the Local Government (Rating) Act 2002;
- c) levies payable under the Infrastructure Funding and Financing Act 2020;
- d) user charges; and
- e) asset sales.

#### 1.4 What are development contributions used for?

- 1.4.1 Development contributions are a good way of funding public network and bulk infrastructure that the Council has already provided, or plans to provide to support growth. Local authorities typically provide trunk sewers, water mains, wastewater and water supply treatment plants, collector and arterial roads, public transport assets, libraries, sports fields, parks and other public amenities.
- 1.4.2 These are usually of such a scale and cost that no one developer can fund them alone, even where they need them to make their development viable and marketable.
- 1.4.3 Development contributions provide the ideal funding tool to collect money from large and small-scale developments and pool them to fund ‘big ticket’ infrastructure. Even small-scale developments can, cumulatively, put pressure on our networks over time.

#### 1.5 Development agreements

- 1.5.1 In some cases, developers may be able to build large items of public infrastructure, that Council would normally provide itself but is not yet ready to. Developers may also offer the Council land it wants to acquire for public projects.
- 1.5.2 To enable a development to go ahead, the Council can enter into a development agreement with the developer. Commitments can be made to offset development contributions or reimburse the developer directly once the infrastructure is built to standard or land is transferred to Council.

#### 1.6 The approach to growth in our District

- 1.6.1 Horowhenua District is growing steadily and in some places strongly. The Council is responding pro-actively to this by:
  - a) adopting a 95-percentile growth projection for the long term plan;
  - b) moving to increase the supply of developable land; and
  - c) including a strong growth element in its capital spending programme.

## 1.7 How is our District growing?

- 1.7.1 The population of Horowhenua District remained almost constant at just on 31,000 people in the decade 2000 to 2010. In the 4 years to 2014, the District began to experience notable growth. On this basis, Long Term Plan 2015-2025 and Long Term Plan 2018-38 each projected a steepening growth curve. Long Term Plan 2018-2038 projected annual growth of 1.2% and 1.1% respectively in each of the next two decades. In fact, growth since 2018 has exceeded projections, running at an average 2% per annum. Sense Partners<sup>4</sup> projects the resident population to grow from 36,708 in 2019 to 62,716 in 2041 in the range 2.6-2.8% per annum. This population growth is expected to be accompanied by strong dwelling growth.
- 1.7.2 There is some uncertainty around business growth<sup>5</sup> in the District as a result of the pandemic but the positive effects on the construction and service sectors, as a result of strong in-migration, may assist the economic recovery.
- 1.7.3 To account for any slowdown in business activity a lower business growth rate has been built into the policy in the first three years of the long term plan. After 2024, the policy assumes business growth keeping pace with the strong population and dwelling growth expected. This assumption will be reviewed over the next 3 years.
- 1.7.4 In general, the growth outlook is positive for Horowhenua with factors such as the influence of Wellington and increasingly strong transport links to the capital at play. However, there is a degree of uncertainty around long-term sustained growth. Growth projections supporting this policy need to be constantly monitored and the timing and scale of development-related capital expenditure moderated accordingly.

## 1.8 The infrastructure response

- 1.8.1 In response to the strong growth outlook, a number of capital projects have been identified and costed into Long Term Plan 2021-41, to enable and support growth. These include:
- a) Major road intersection upgrades and connections in Levin in to meet expected traffic increases from the Tara-Ika growth area;
  - b) Subsidised road improvement, footpath, cycleway and shared path programmes

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<sup>4</sup> Sense Partners. Horowhenua Socio-Economic projections, Summary and methods, Projections update report, May 2020, p2

*“Horowhenua’s strong population growth is driven by a continued substantial inflow of migrants from other parts of New Zealand. We are forecasting a net inflow of 650 domestic migrants per year over the next 10 years. This is a substantial upward revision, from 270 migrants per year in our 2019 forecasts.”* Sense Partners puts this down to a combination of factors including:

- *“improved accessibility from the expressways have been built to the south of the District*
- *Increased costs of living, especially house price inflation, in most urban centres including Palmerston North and Wellington.”*

- across the district, increasing the capacity of the existing network to deal with traffic growth, as well as extending it into new growth areas;
- c) Forward-looking strategic wastewater treatment plant upgrade or effluent disposal option projects, in expectation of growth at Foxton/Foxton Beach, Waitarere Beach, Tokomaru and Levin (including those dealing with the increasing wastewater volumes generated by Tara-Ika);
  - d) Specific large-scale capital expenditure on the Tara-Ika wastewater trunk network in the early years of the long term plan to enable the development to go ahead;
  - e) Growth-related reticulation upgrades in Levin itself and for the Levin north east growth area;
  - f) Wastewater plant and reticulation renewal<sup>6</sup> programmes across the district, that are expected to include additional capacity to cater for growth;
  - g) Water treatment plant and reticulation renewals across the district, expected to include additional capacity for growth;
  - h) Specific Levin water supply capital projects to deal with growth (infill and new areas) with specific funding in Year 2 of the long term plan to extend trunk reticulation into Tara-Ika to enable it to proceed;
  - i) A major project to secure and implement an alternative water source for Levin to deal with existing level of service issues but also to serve growth into the future;
  - j) A project to deal with stormwater from the Levin north east growth area to enable it to develop;
  - k) An on-going district-wide programme of reserve improvements and play equipment installation, as demand from growth requires more facilities;
  - l) Specific provision for Tara-Ika reserve acquisition as development gets underway;
  - m) Staged aquatic centre redevelopments with increased capacity provided for growth during redevelopment;

1.8.2 The Central/Local Government Three Waters Reform Programme, announced in 2020, will change the way three waters capital projects are delivered to the community in future. This could affect the timing and scope of a number of the projects above. The expectation is that any new entities will still deliver the assets needed to support the growth of Horowhenua District.

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The report notes that the results of the 2018 Census warrant the further upward revision of Horowhenua's population projections.

<sup>5</sup> Sense Partners p3 predicts *"a sharp, but reasonably short-lived economic shock, based on the New Zealand Treasury's Budget Economic and Fiscal Update (May 2020)"* with rising national unemployment, recovering again from mid-2021 and falling GDP recovering from 2022.

<sup>6</sup> Infill development is starting to put pressure on networks and in carrying out renewal projects, the Council will take the opportunity to add capacity to the networks to cope with growth.

## Section 2 - Policy decisions

### 2.1 Requiring contributions for 'development'

- 2.1.1 The Council, using its powers under the Act<sup>7</sup> has decided that it may require development contributions at the times set out<sup>8</sup> for activities it undertakes in the geographic areas described in this policy. It will only do this when 'development'<sup>9</sup>, as defined in the Act, takes place. Development is any activity that generates demand for reserves, network infrastructure or community infrastructure. In so doing it requires new or additional assets, or assets of increased capacity, and causes the Council to incur capital expenditure. Once it collects contributions, the Council will use them for the purposes specified, in the areas collected<sup>10</sup>.
- 2.1.2 Before assessing and requiring a development contribution, under **Section 3**, the Council will apply a test to ensure the activity for which a consent or authorisation has been applied for, meets the definition of 'development'.
- 2.1.3 The Council has decided that it will not seek development contributions for any existing lots or development already legally established on the site. It will deem all existing lots and development to have paid a contribution. It will not require the applicant to show that a development contribution, financial contribution or any other capital charge has been paid in the past.
- 2.1.4 When calculating a development contribution, the Council will assess the extent of lots or development on completion of the development and deduct the extent of lots or development existing when granting the consent or authorisation for a service connection.
- 2.1.5 This allowance is still subject to conditions set out in **Section 3**.

### 2.2 Activities

- 2.2.1 The Council has met its obligations under the Act<sup>11</sup> when making its Revenue and Financing Policy and has determined that development contributions are an appropriate source of funding to meet the growth-related component of capital expenditure on the following activities:
- a) Roading;
  - b) Water supply;
  - c) Wastewater treatment;
  - d) Stormwater management;
  - e) Community infrastructure activities including, libraries, swimming pools, events centres, sports fields, recreation reserves and public toilets.

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<sup>7</sup> Section 199(1)

<sup>8</sup> Section 198 and section 200(4)

<sup>9</sup> Section 197(1)

<sup>10</sup> Section 197AB(1)(d)

<sup>11</sup> Section 101(3)(a) and (b)

- 2.2.2 Once a review of the solid waste management activity has been completed, the Council may consider the use of development contributions to fund this activity and possibly other activities supporting growth.
- 2.2.3 Unless identified reserves, open spaces and accessways are listed in the long term plan, as part of the community infrastructure activity, the Council will not require a blanket development contribution for reserves under this policy.
- 2.2.4 It may review this position and signal an approach to reserve acquisition and rationalisation. In the interim it will focus on reserve land identified in the long term plan or rely on developers to provide smaller local reserves as conditions of resource consent.
- 2.2.5 The Council is aware of other sources of funding for growth-related capital spending. It will not look to replace development contributions with those sources, but will factor those other sources into the development contribution calculation on a project-by-project basis. Where appropriate and where the amounts are known, it will reduce development contribution amounts.
- 2.2.6 In particular the Council will look to using special purpose vehicle (SPV) levy orders, targeted rates, asset sales, subsidies and grants to avoid the dependence on development contributions as the sole source of growth capital funding.

## 2.3 Catchments

- 2.3.1 The Council has considered the geographic distribution of growth-related capital expenditure in the district and the grouping of developments<sup>12</sup> into catchments. It has determined to:
- a) minimise the use of district-wide catchments for the recovery of development contributions, but to still use district-wide catchments for:
    - i. roading and for community infrastructure activities serving the whole District;
    - ii. non-specific programme funding for water supply, wastewater treatment and stormwater management assets that can be directed to any area in the district in response to development initiatives;
  - b) use scheme-by-scheme<sup>13</sup> water supply, wastewater treatment and stormwater management catchments because it considers it unreasonable to transfer costs between schemes where significant differentials in cost exist;
  - c) use additional catchments in major growth areas, where significant capital expenditure is proposed that is not expected to benefit the wider community.
- 2.3.2 In the case of water supply and wastewater treatment, the Council may review its position and use larger combined catchments where development contributions between schemes are similar. Development contributions will be payable only where the service is available

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<sup>12</sup> Section 197AB(1)(g)

<sup>13</sup> The Central/Local Government Three Waters Reform Programme may, in due course, see scheme based catchments replaced with district-wide or sub-regional charges with common charges applying across them.

and only by those new households, businesses or other developments connecting to the networks concerned or with the ability to connect to the network.

2.3.3 The catchments used in this policy are summarised in **Appendix B**.

## 2.4 Limitations on costs included

2.4.1 The Council will ensure that any project going forward for inclusion in the development contribution meets the 'test' under section 197(AB(a) of the Act, that additional capacity has or will be provided by the project and as a result, Council has or will incur capital spending..

2.4.2 This policy and the methodology to calculate contributions ensures that a development contribution for a reserve, network infrastructure, or community infrastructure will exclude any funding for the same purpose provided by the developer, by a development contribution already required or by a third party.<sup>14</sup>

## 2.5 Asset capacity provided in the past

2.5.1 Under the Act,<sup>15</sup> the Council can require development contributions for any surplus capacity provided in the past in anticipation of development. It recognises however that many assets provided in the past, in a time of slow or no growth, were not expressly provided with development in mind. It will not seek to recover any part of the costs of those assets through development contributions. It will reconsider this position in the next review of this policy by which time assets provided between 2021 to 2024, in anticipation of development, will have spare capacity for the future.

## 2.6 Period of benefits

2.6.1 The Council considers that capital expenditure on infrastructure during the long term plan period should be recovered over the full take-up period of each asset, from all development that created the need for that expenditure or will benefit from capacity it provides, including development occurring after the long term plan period<sup>16</sup>.

2.6.2 The Council has determined that:

- a) new development occurring in the long term plan period will contribute only to that proportion of additional asset capacity that it is expected to consume;
- b) future development occurring after the long term plan period will contribute toward the remaining surplus capacity in assets at the end of that period.

2.6.3 In keeping with its policy to exclude the value projects provided in past years, the Council will set a start date for the period of benefits of 1 July 2021.

2.6.4 The Council has also decided to include capital expenditure on a number of assets that will be built after the 20 year period covered by the long term plan<sup>17</sup>. These are identified in the Schedule of Assets in **Appendix 5**.

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<sup>14</sup> Section 200(1)

<sup>15</sup> Section 199(2)

<sup>16</sup> Section 197AB(1)(b) and Schedule 13

<sup>17</sup> Schedule 13 1(2)

2.6.5 Following these considerations, the Council has decided to use a *development contributions calculation period* extending from 1 July 2021 to 30 June 2051 – 30 years after the adoption of this policy to ensure more equitable attribution under the Act. This future outlook is to take account of major infrastructure projects in the current long term plan period that may retain spare capacity for up to 30 years.

## 2.7 Cost allocation<sup>18</sup>

2.7.1 With its capital projects for the next 20 years listed in the long term plan, the Council has identified:

- a) projects that are needed to meet the needs of the existing community to improve its levels of service, meet newly legislated standards or renew aging assets;
- b) capital projects that will service both new development and the existing community; and
- c) capital projects that will be done purely to meet the demands of new development.

2.7.2 The Council has decided that only projects with a clear connection to growth, will go forward for possible funding by development contributions.

2.7.3 Each project's cost is shared between those parties *causing* the project to be undertaken and those *benefitting* from the projects. In some cases while growth may *cause* a project to be carried out, the existing community may also *benefit* from it in some way. In other cases the existing community may *cause* a project to be built to replace an old asset but, in doing the project, new development can *benefit* from any additional capacity provided.

2.7.4 The Council will:

- a) work out the share of cost that will serve new development. This is commonly called the 'growth cost' or 'additional capacity (AC) cost', the balance to be funded by the existing community, by subsidies or other sources;
- b) share the 'growth cost' among all development expected in the next 10, 20 or 30 years, depending on the 'capacity life' of the project; and
- c) work out a cost that each unit of development projected in coming years needs to meet by way of a development contribution.

## 2.8 Interest and inflation

2.8.1 The Council has decided<sup>19</sup> to include:

- a) provision for inflation in the development contribution amounts; and
- b) provision for interest on capital spending on projects in the long term plan, to be recovered through those contributions.

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<sup>18</sup> Section 197AB(1)(c)

<sup>19</sup> Section 197AA

2.8.2 This policy and the supporting development contributions calculation methodology, takes account of the fact that a number of projects will be funded in part by interest free loans negotiated as part of the Council's arrangements with Crown Infrastructure Partners (CIP).

## 2.9 Development contribution amounts<sup>20</sup>

2.9.1 **Table 1** shows the schedule of development contributions payable for each activity type in each part the of district. The amounts exclude GST.

2.9.2 **Table 1** shows water supply and/or wastewater development contribution amounts for areas without one or both services (Ohau and Waitare Beach), although capital spending is planned in the future to enable connection. Development contributions will only apply when the service becomes available and new and existing properties start to connect.

TABLE 1 - SCHEDULE OF DEVELOPMENT CONTRIBUTIONS														
	Land Transport		Community		Stormwater			Water Supply			Wastewater Treatment			TOTAL
	Tara-Ika GA	District	Tara-Ika GA	District	Tara-Ika GA	Scheme	District	Tara-Ika GA	Scheme	District	Tara-Ika GA	Scheme	District	
Levin		\$499		\$1,547		\$124	\$458		\$3,118	\$0		\$7,563	\$0	\$13,308
Tara-Ika	\$2,559	\$499		\$1,547	\$1,817	\$124	\$458	\$0	\$3,118	\$0	\$1,840	\$7,563	\$0	\$19,525
Levin North		\$499		\$1,547		\$124	\$458		\$3,118	\$0		\$7,563	-\$0	\$13,308
Foxton		\$499		\$1,547		\$0	\$458		\$499	\$0		\$436	\$0	\$3,439
Foxton Beach		\$499		\$1,547		\$79	\$458		\$1,449	\$0		\$871	\$0	\$4,903
Shannon/Mangaore		\$499		\$1,547		\$0	\$458		\$0	\$0		\$0	\$0	\$2,504
Tokomaru		\$499		\$1,547		\$0	\$458		\$0	\$0		\$0	\$0	\$2,504
Waitare Beach		\$499		\$1,547		\$0	\$458		\$3,058	\$0		\$1,949	\$0	\$7,511
Ohau		\$499		\$1,547		\$0	\$458		\$1,800	\$0		\$1,839	\$0	\$6,144
Rural		\$499		\$1,547										\$2,046

2.9.3 **Table 2** of this policy summarises growth-related capital expenditure that Council expects to incur and the proportion of that expenditure to be funded from various sources including development contributions.

	2021-41 LTCCP										SURPLUS CAPACITY							
	TOTAL CAPITAL PROJECT COSTS		DEVELOPMENT CONTRIBUTIONS (NEW)		DEVELOPMENT CONTRIBUTIONS (FUTURE)		RATES		SUBSIDIES / GRANTS		TOTAL CURRENT VALUE OF SURPLUS CAPACITY PROJECTS		DEVELOPMENT CONTRIBUTIONS (NEW)		DEVELOPMENT CONTRIBUTIONS (FUTURE)		SUBSIDIES / GRANTS	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land Transport	\$ 316,285,643	\$ 9,583,286	\$ 8,058,893	\$ 113,932,087	\$ 184,711,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Solid Waste	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District Community Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Community Infrastructure	\$ 174,490,363	\$ 17,152,949	\$ 17,506,153	\$ 139,831,261	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Water Supply	\$ 142,532,807	\$ 21,932,891	\$ 51,239,448	\$ 66,773,133	\$ 2,587,334	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wastewater	\$ 231,309,933	\$ 40,492,895	\$ 59,772,711	\$ 126,017,788	\$ 5,026,539	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stormwater	\$ 27,291,441	\$ 6,811,217	\$ 5,681,793	\$ 12,767,230	\$ 2,031,201	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Activities	\$ 69,358,700	\$ -	\$ -	\$ 69,335,700	\$ 23,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL</b>	<b>\$ 961,268,887</b>	<b>\$ 95,973,237</b>	<b>\$ 142,258,999</b>	<b>\$ 528,657,198</b>	<b>\$ 194,379,453</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## 2.10 Units of demand

2.10.1 The Council has considered a range of development types that it expects to see in the district.

2.10.2 It has determined that units of demand generated by different land use types will be those shown in **Table 3** of this policy. **Table 3** shows the demand expected from a range of different residential types, including demand expected from accommodation units and the retirement sector<sup>21</sup>.

<sup>20</sup> Section 197AB(1)(e) and (f), section 201, section 202

<sup>21</sup> Schedule 13 2

- 2.10.3 The different *units of demand* generated by a unit of commercial or industrial activity, as compared with a unit of residential activity, arise mainly from the scale and nature of activity. This Policy uses *gross business area* in the case of business development as a proxy for assessing the different *units of demand* on services, likely to be generated respectively by residential and business activity.
- 2.10.4 The policy assumes that business activity has the potential to place greater demands on services as compared to residential activity, (e.g. as a result of higher and heavier traffic volumes and larger *impervious areas*). This policy incorporates multipliers (*unit of demand* factors) that are intended to take account of the likely additional effect of business activity on service infrastructure.
- 2.10.5 **Table 3** does not distinguish between different types of commercial and industrial development. This is based on the principle that the active business area or impervious area (for stormwater) of any business development will, in most cases, reflect the demand it is expected to place on infrastructure. Once a development contribution is paid, no further contribution will be required, if the nature of business activity changes over time. If further development occurs on the site however, another contribution may be required.
- 2.10.6 Although this policy does not distinguish between business types in **Table 3**, to comply with the Act, the Council will allow applicants to have their developments assessed by **special assessment**.
- 2.10.7 **Table 3** lists certain activities that fall outside the definition of ‘development’ in the Act. These are considered not to generate any demand on one or more infrastructure types.
- 2.10.8 **Table 3** also allows the demand from activities not specifically listed in **Table 3** to be dealt with by **special assessment**.

## 2.11 When are development contributions paid?

- 2.11.1 Developers can be made to pay development contributions at times allowed for in the Act<sup>22</sup> when granting different types of consent. The Council recognises that it can be some time between consenting and development being completed and able to generate income. The Council has decided to bring some contribution payment timings closer to the point when a development generates revenue.
- 2.11.2 The Council’s policy is to invoice development contributions at the times allowed by the Act, in the case of:
- a) a resource consent for land use, when granting the consent;
  - b) in the case of a service connection, at the time of authorisation of a service connection; and
  - c) in the case of a certificate of acceptance, at the time of granting the certificate.
- 2.11.3 The Council’s policy is to invoice development contributions at later times than allowed by the Act, in the case of:

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<sup>22</sup> Section 198(1)(a), (b) and (c) and section 198(4A)

- a) a subdivision consent, at the time of granting a certificate under section 224(c) of the Resource Management Act 1991; and
- b) a building consent, at the time the first building inspection is carried out.

2.11.4 These times of payment may be postponed in accordance with conditions and criteria in **Section 3**.

2.11.5 Regardless of when it requires a development contribution, the contribution amounts must be consistent with the policy in force at the time the application for the consent or service connection was accepted<sup>23</sup>.

## 2.12 Remissions, postponements and refunds

2.12.1 In addition to the rights to reconsideration and objection provided for in the Act<sup>24</sup>, the Council will consider applications for remission, reduction or postponement of development contributions when it applies this policy. This will be subject to the conditions and criteria<sup>25</sup> in **Section 3**.

## 2.13 Development agreements

2.13.1 The Council recognises the benefits that development agreements can provide for both developers and the Council itself. To enable development, it intends to enter into agreements from time to time with developers for the provision, supply, or exchange of infrastructure, land, or money to provide network infrastructure, community infrastructure, or reserves in the district or any part of it.

2.13.2 In entering into a development agreement, the Council will comply with all the requirements under the Act<sup>26</sup> and ensure that:

- a) all normal procurement procedures are complied with;
- b) works carried out or land provided by a developer represent good value for money and could not be provided by the Council itself or any third party at a lower cost;
- c) works carried out or land provided by a developer and used to offset development contributions are ones that:
  - i. would normally be provided by the Council;
  - ii. are included in the Council's capital programme; and
  - iii. are included in the amount of development contributions in this policy.

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<sup>23</sup> Section 198(2A)

<sup>24</sup> Section 199A, section 199B and section 199C

<sup>25</sup> Section 201(1)(c)

<sup>26</sup> Section 207A to section 207F

## Section 3 – Practical application

**Section 3** sets out the steps the Council will take when processing consents or authorisations for development and requiring development contributions. The steps reflect policies adopted by the Council in **Section 2** on matters such as activities, catchments, units of demand, timing of payment, remissions, reductions and postponements.

### 3.1 Requirement for development contributions – test for ‘development’

#### 3.1.1 When granting:

- a) a resource consent under the Resource Management Act 1991;
- b) a building consent under the Building Act 1991;
- c) an authorisation for a service connection;
- d) a certificate of acceptance under section 98 of the Building Act 2004;

Council will first determine whether the activity to which the consent or authorisation relates is a ‘development’ under the Act, that:

- a) has the effect of requiring new or additional assets or assets of increased capacity (including assets which may already have been provided by Council in anticipation of development); and
- b) as a consequence, requires (or has required) Council to incur capital expenditure to provide appropriately for those assets; and
- c) that capital expenditure is not otherwise funded or provided for.

#### 3.1.2 Once it has determined that the activity is a ‘development’, Council may require a development contribution to be made towards the activity associated with that development, according to the catchment in which the development is located, including:

- (a) Roading;
- (b) Wastewater treatment;
- (c) Water supply;
- (d) Stormwater; and
- (e) Community infrastructure.

#### 3.1.3 Council will calculate the development contribution payable at the time of granting the consent or authorisation and issue **an invoice** or, in the case of a subdivision consent or building consent, an **assessment**, for the amounts payable.

#### 3.1.4 That invoice or assessment as the case may be, must be consistent with the contents of the policy in force at the time the application for resource consent, building consent, or service connection was accepted<sup>27</sup>.

### 3.2 Determining units of demand

#### 3.2.1 The Council has decided to use a standard table to determine units of demand for most common types of development. This is to ensure practicality and administrative efficiency in attributing

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<sup>27</sup> Section 198(2A)

demand to particular developments or types of development, and that this is done on a consistent and equitable basis<sup>28</sup>.

3.2.2 Council has determined that units of demand generated by different types of development are those set out in **Table 3**.

3.2.3 Demand for infrastructure capacity may come from:

- a) new *lots (lot units of demand)* that are required to be serviced in advance of their occupation; and
- b) the use and development of *lots (activity units of demand)*, including the intensification or expansion of activity on those *lots*.

3.2.4 The assumptions used in this policy to derive the unit of demand factors for business development in **Table 3**, are described in **Appendix 4**.

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<sup>28</sup> Schedule 13 2

**Table 3  
Units of Demand Generated by Subdivision and Development**

<b>Lot Unit of Demand</b>	<b>Units of demand</b>
One residential or rural lot.	1.0
One commercial or industrial lot with an area of 1,000m <sup>2</sup> or more, except when calculating the community infrastructure development contribution	1.0
One commercial or industrial lot with an area of less than 1,000m <sup>2</sup> , except when calculating the community infrastructure development contribution	Lot area divided by 1,000 per square metre.
One mixed-use residential/commercial/industrial lot, except when calculating the community infrastructure development contribution	1.0
For the purposes of calculating <b>community infrastructure development contributions only</b> , one commercial, industrial or mixed use lot.	0
For the purposes of calculating <b>water supply and wastewater development contributions only</b> , any <u>existing</u> <i>legally established lot</i> not connected to either the water supply network or the wastewater network as the case may be, excluding any existing <i>legally established lot</i> for which a targeted rate or SPV levy to fund capital costs for the scheme has been paid or will be paid.	0
For the purposes of calculating <b>water supply and wastewater development contributions only</b> , any <u>proposed</u> <i>lot</i> not to be connected to either the water supply network or the wastewater network, as the case may be.	0
One <i>lot</i> : <ul style="list-style-type: none"> <li>▪ wholly covenanted in perpetuity as provided for by section 22 of the Queen Elizabeth the Second National Trust Act 1977</li> <li>▪ the title or nature of which prevents any form of development on the <i>lot</i>.</li> </ul>	0
<b>Activity Unit of Demand</b>	<b>Units of demand</b>
One <i>dwelling unit</i> or <i>accommodation unit</i> of two or more <i>bedrooms</i> per unit.	1.0
One commercial or industrial unit, including the commercial or industrial part of any mixed use development, except when calculating the community infrastructure development contribution.	The <i>gross business</i> area on the <i>lot</i> (or in the case of calculating contribution for stormwater, the <i>impervious area</i> ) multiplied by the applicable <i>unit of demand</i> factors in this table.
For the purposes of calculating <b>community infrastructure development contributions only</b> , any commercial or industrial unit, including the commercial or industrial part of any mixed use development.	0
Any <i>dwelling unit</i> or <i>accommodation unit</i> of one or fewer <i>bedrooms</i> per unit.	0.5
Any <i>retirement unit</i> for purposes of calculating the <b>roading contribution only</b> .	0.3
Any <i>retirement unit</i> for purposes of calculating the <b>water supply and wastewater contributions only</b> .	0.5
Any <i>aged care room</i> for purposes of calculating the <b>roading contribution only</b> .	0.2
Any <i>aged care room</i> for purposes of calculating the <b>water supply and wastewater contributions only</b> .	0.4
Any development including <i>dwelling units</i> or <i>accommodation units</i> , situated in attached or multiple storey complexes of more than three units and any <i>retirement unit</i> or <i>aged care room</i> .	For stormwater ONLY, the <i>impervious area</i> multiplied by the applicable <i>unit of demand</i> factor in this table.

<b>Table 3 Units of Demand Generated by Subdivision and Development</b>	
For the purposes of calculating <b>water supply and wastewater development contributions only</b> , any <u>existing</u> <i>legally established</i> development not connected to either the water supply network or the wastewater network as the case may be, excluding any existing <i>legally established</i> development for which a targeted rate or SPV levy to fund capital costs for the scheme has or will be paid..	0
For the purposes of calculating <b>water supply and wastewater development contributions only</b> , any <u>proposed</u> development not to be connected to either the water supply network or the wastewater network, as the case may be.	0
Network infrastructure, including pipes, lines and installations, roads, water supply, wastewater and stormwater collection and management systems	0
Farm buildings associated with normal farming operations including sheds, barns, garages and buildings for indoor poultry livestock and crop production.	0
Other activity (Activity not specified elsewhere in this table) or if listed in this table, of such an unusual type that it does not reflect the demands expected of the activity .	Special assessment
<b>Unit of Demand Factors Commercial or Industrial Development</b>	<b>Calculated in Appendix 4</b>
Roading	0.0014 per square metre of <i>gross business area</i> on the lot used principally for commercial or industrial purposes.
Water Supply	0.00467 per square metre of <i>gross business area</i> on the lot used principally for commercial or industrial purposes.
Sewerage	0.00467 per square metre of <i>gross business area</i> on the lot used principally for commercial or industrial purposes.
Stormwater	0.00278 per square metre of the <i>impervious area</i> on the lot.

### 3.3 Special assessments

- 3.3.1 When in **Table 3**, a special assessment is required, the Council will consider the nature and scale of the development and its relative demand on infrastructure capacity under any Council activity, as compared to other development types listed in **Table 3** and the *units of demand* attributed to them.
- 3.3.2 In carrying out a special assessment, the Council will consider the proposed traffic, water supply, wastewater and stormwater flows of the development and, where applicable, its demand on community infrastructure. It will compare these with the demands expected from one standard dwelling of 2 or more bedrooms (1 Unit of Demand) and assess the demand of the proposed development relative to that.
- 3.3.3 In doing so, the applicant will provide all information requested on projected traffic, wastewater and water demand, impervious area and occupancy of the development. In the absence of that information the Council will not be obliged to carry out the special assessment.

### 3.4 Amount of contribution

- 3.4.1 In keeping with its policy in **Section 2**, the Council will not seek development contributions for any existing lots or development already legally established on the application site. It deems all existing lots and development to have paid a contribution. The formula below deducts the demand already generated by any existing lots or development on the application site from the demand expected after the consented development is completed.
- 3.4.2 The total amount of development contribution payable when issuing any consent or authorisation for subdivision or development, will be the sum of the development contribution payable **for each activity**, calculated as:

$$[(a) \times (\text{Sum of } (n) - \text{Sum of } (x))] + \text{GST}$$

Where:

(a) = the applicable development contribution amount per *unit of demand* determined from **Table 1** and the *catchment* for each type of community facility in which the subdivision or development lies.

(n) = for each *lot at the completion of the consent or authorisation application*, the total *lot units of demand* OR the total *activity units of demand*, determined by **Table 3**, whichever is the greater.

(x) = for each *lot in existence* (or for which a section 224 certificate under the Resource Management Act 1991 has been issued) **prior to the date of the consent or authorisation application**, the total *lot units of demand* OR the total *activity units of demand* for the existing development, determined by **Table 3**, whichever is the greater.

### 3.5 Invoicing

- 3.5.1 The Council will invoice development contributions at the times allowed by the Act<sup>29</sup>, in the case of:

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<sup>29</sup> Section 198(1)(a), (b) and (c) and section 198(4A)

- a) a resource consent for land use, when granting the consent under the Resource Management Act 1991;
- b) in the case of a service connection, at the time of authorisation of a service connection; and
- c) in the case of a certificate of acceptance, at the time of granting the certificate of acceptance under the Building Act 2004, but only if a development contribution would have been required had a building consent been granted for the same building work in respect of which the certificate is granted.

3.5.2 The Council will issue an **assessment** upon granting consent and only **invoice** development contributions, in the case of:

- a) a subdivision consent, at the time of granting a certificate under section 224(c) of the Resource Management Act 1991; and
- b) a building consent under the Building Act 2004, at the time the first building inspection is carried out.

3.5.3 A development contribution may be paid at any time from the date of issuing an **assessment** up to the date when the contribution is required to be paid as a result of the Council issuing an **invoice**.

### 3.6 Remissions, reductions, postponements and refunds

Nothing in this policy diminishes from the rights of reconsideration or objection provided for in the Act<sup>30</sup>. In addition to these rights, the Council will consider applications for the remission, reduction or postponement of development contributions.

#### 3.6.1 Remissions and reductions

3.6.1.1 The Council may, at the request of an applicant:

- a) consider remitting or reducing any development contribution payable by an applicant whose developments are expected to provide a **significant public benefit** or address **significant affordability issues**. These considerations will be carried out on a case-by-case basis on their merits. Before granting any remission or reduction, the Council will ensure that alternative sources of funding are obtained to meet any resulting development contributions shortfall.
- b) review the contribution payable and grant a remission or reduction of the development contribution where **the applicant has provided and/or funded the same infrastructure** that a development contribution has been required for. That remission or reduction will be limited to the cost of infrastructure provided or funded and be subject to Council procurement procedures. In cases where the cost of infrastructure provided or funded exceeds the development contribution payable, the Council will meet the excess costs by separate agreement with the applicant, also subject to the Council's procurement procedures.

3.6.1.2 If it grants a remission or reduction, the Council may do so on whatever terms it thinks fit.

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<sup>30</sup> Section 199A, section 199B and section 199C

### 3.6.2 Postponements

3.6.2.1 Council will consider applications for a postponement of the payment of a development contribution in the case of a subdivision consent only, which would normally be invoiced on issuing the section 224(c) certificate.

3.6.2.2 The application must be made before the Council issuing the certificate and invoice. If it grants a postponement, the Council may do so on whatever terms it thinks fit, including that it may:

- a) issue a certificate under section 224(c) of the Resource Management Act 1991, prior to the payment of a development contribution; and
- b) register the development contribution under the Land Transfer Act 2017, as a charge on the title of the land in respect of which the development contribution was required.

3.6.2.3 In registering a statutory land charge, the Council will require payment of the development contribution when each lot or a specified number of lots in the subdivision is transferred.

### 3.6.3 Requests for review

3.6.3.1 An applicant may formally request Council to review the development contribution required and remit, reduce or postpone the development contribution payment.

3.6.3.2 Any such request will be made in writing no later than 15 working days after the date on which Council issues an invoice, setting out the reasons for the request.

3.6.3.3 Prior to accepting any such request for review, Council will require the applicant to provide specific details of the manner in which its proposals qualify for a remission, reduction or postponement.

3.6.3.4 In undertaking the review, Council will appoint an independent party <sup>31</sup>who:

- a) will, as soon as reasonably practicable, consider the request;
- b) will determine whether to hold a hearing for the purposes of the review and if it does, give at least five working days' notice to the applicant of the date, time and place of the hearing;
- c) may at that party's discretion uphold, remit, in whole or in part, or postpone (as the case may be) the original development contribution required and the Council will advise the applicant in writing of the decision within ten working days of the decision being made.

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<sup>31</sup> An independent party may include:

- a) a hearing commissioner, in the register of approved development contribution commissioners kept by the Minister under section 199F of the Act; or
- b) the Hearings Committee of the Council, which will have the right to draw on any expertise relevant to the subject of the review, including a commissioner on the register in a) above.

3.6.3.5 The Council may charge a fee as determined in its annual schedule of fees, to consider a request.

### 3.6.4 Refunds

3.6.4.1 The Council will refund development contributions in accordance with the requirements of sections of the Act<sup>32</sup>. The Council may retain any portion of a development contribution, to a value equivalent to the costs incurred by it in relation to a development or building, in the case where a development is discontinued and the Council is required to refund the development contribution<sup>33</sup>.

## 3.7 Reconsideration process

3.7.1 An applicant who is required to make a development contribution, may request a reconsideration of that requirement if they believe that:

- a) the development contribution was incorrectly calculated or assessed under this policy; or
- b) the Council incorrectly applied this policy; or
- c) the information used to assess the applicant's development against this policy, or the way the Council has recorded or used it when requiring the development contribution, was incomplete or contained errors<sup>34</sup>.

3.7.2 Any request for reconsideration will be made in writing, no later than 10 working days after the date on which the applicant receives notice from the Council of the level of development contribution required.

3.7.3 Any request for review must include the reasons for reconsideration and provide sufficient information to enable the Council to reconsider the development contribution.

3.7.4 The Council (or an independent party if one is delegated) will limit its considerations to matters set out in the Act<sup>35</sup> and will within 15 working days of receiving the request and all relevant information, advise the applicant of the outcome<sup>36</sup>.

## 3.8 Contributions not paid

3.8.1 If contributions are not paid at the times required, the Council may<sup>37</sup>:

- (a) withhold a certificate under section 224(c) of the Resource Management Act 1991 in the case of a subdivision;

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<sup>32</sup> Section 209 and section 210

<sup>33</sup> Section 209(2)

<sup>34</sup> Section 202A, section 199A

<sup>35</sup> Section 199A

<sup>36</sup> Section 199B(1)

<sup>37</sup> Section 208

- (b) prevent the activity commencing in the case of a land use consent;
- (c) withhold a code compliance certificate in the case of a building consent;
- (d) withhold a service connection to the development;
- (e) withhold a certificate of acceptance under section 98 of the Building Act 2004;
- (f) in each case register a charge on the land under the Land Transfer Act 2017.

3.8.2 If, after exercising its powers to prevent a development proceeding, any development contribution remains unpaid, the Council may take debt recovery action to recover that development contribution. A development contribution is recoverable as a debt<sup>38</sup>.

3.8.3 If a grantee of consent is in possession of two development contribution invoices for different consents relating to the same development, both invoices will continue to have effect until payment is made of one of those invoices. When the first invoice is paid, the second invoice will be withdrawn. Any excess balance of development contributions still payable for the subdivision or development relating to the second invoice will be re-assessed.

3.8.4 If any development contribution is payable on re-assessment, a new invoice will be issued.

3.8.5 Except as provided for, no consented activity or building work will commence prior to the payment of the development contribution and where such activity or work has commenced prior to such payment, Council will require this to cease until payment has been made.

### 3.9 Information requirements

3.9.1 The applicant for any consent or authorisation will provide all information necessary for Council to calculate the amount of a development contribution, including the *gross business area* and the *impervious area* of the development if required for purposes of an assessment under **Table 3**.

3.9.2 If required, the applicant will be responsible for providing proof of the legal establishment of existing *units of demand* for purposes of an assessment under **Table 3**.

3.9.3 Existing *units of demand* may include *legally established* buildings and structures existing when this policy became operative on 1 July 2021, but that have since been demolished.

### 3.10 Statement on GST

3.10.1 Any development contribution referred to in this policy or in the accompanying development contributions model and any development contribution required in the form of money, pursuant to this Policy, is exclusive of Goods and Services Tax.

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<sup>38</sup> Section 252

## Appendix 1 – Development Contribution Activity Catchments

<b>Community Facility</b>	<b>Catchment</b>	<b>Development to which Development Contribution Applies</b>
Roading	District	Development anywhere in the District
Roading	Tara-Ika growth area	Development in the Tara-Ika Growth Area (Map 1)
Community infrastructure	District	Development anywhere in the District
Wastewater Treatment	District	Development anywhere in the District where the service is available
	Scheme	Development anywhere in the District where a specific wastewater scheme is available
	Tara-Ika growth area	Development in the Tara-Ika Growth Area (Map 1)
Water Supply	District	Development anywhere in the District where the service is available
	Scheme	Development anywhere in the District where a specific water supply scheme is available
	Tara-Ika growth area	Development in the Tara-Ika Growth Area (Map 1)
Stormwater Management	District	Development anywhere in the District where the service is available
	Scheme	Development anywhere in the District where a specific stormwater scheme is available
	Tara-Ika growth area	Development in the Tara-Ika Growth Area (Map 1)

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## Map 1 – Tara-Ika Growth Area

