

## FINANCIAL CONTRIBUTION POLICY

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### 1. Introduction

Section 102(4) of the Local Government Act 2002 requires the Council to adopt a policy on development contributions (money or land required from developers under the provisions of the Local Government Act 2002) or financial contributions (money or land required from developers under the provisions of the Resource Management Act 1991 and the Horowhenua District Plan). The Act states:

*“(1) A local authority must, in order to provide predictability and certainty about sources and levels of funding, adopt the funding and financial policies listed in subsection (2).*

*(2) The policies are –*

*(d) A policy on development contributions or financial contributions.”*

As part of its Long Term Plan 2015-2025 consultation, Horowhenua District Council proposed that it does not have a Development Contributions Policy. This was a result of low forecast growth as well as Council's desire to lead an enabling and progressive role in Horowhenua, where economic development and growth is encouraged. This Financial Contributions Policy (2015) replaces the Development Contributions Policy (2012).

While rates are set to meet the needs of the community, they are not considered appropriate to recover the additional costs of growth brought about by new development.

The Resource Management Act 1991 requires Council to manage the effects of subdivision and development in a manner that promotes the sustainable management of the district's natural and physical resources. Council intends to use financial contributions to offset the effects of development activities.

Those undertaking activities such as building or subdivision expect to directly benefit from their efforts; however, these activities can affect the wider community. The Horowhenua District Plan requires the developer to pay for the full and actual costs of works directly related to their activity. However in the absence of Development Contributions it becomes necessary for this Financial Contributions Policy and the District Plan to recognise that development in new growth areas should also contribute a portion of costs to compensate for adverse environmental effects. In

doing so the wider community does not unduly subsidise these private development activities.

The purpose of this Financial Contributions Policy is to enable contributions in areas that are identified as new growth areas (shown in the maps attached as Appendix 1).

## **2. What are Financial Contributions?**

Financial contributions provide a means of offsetting, avoiding, remedying or mitigating the adverse effects of such activities. Section 108 of the Resource Management Act 1991 sets out the circumstances under which conditions may be imposed on applications for resource consents. A consent condition may include a financial contribution as set out in Section 108(9). Financial contributions (whether money, land, or a combination of both) may be required from developers where the cost of providing or upgrading the public infrastructure or utility service can be attributed to a development.

Financial contributions and conditions on resource consents can be applied for the following reasons:

- To compensate for the situation where development leads to a demand for additional infrastructural services or leads to the deterioration of the existing infrastructure
- As a means to avoid, remedy or mitigate adverse effects of activities on the environment caused by the development.

Requiring developers to pay the actual costs of extending services is considered to be an appropriate method of encouraging an efficient, consolidated and compact pattern of land use (where new development is connected to existing development).

Currently the District is not experiencing, nor forecasted to experience, demand for public infrastructure generated by growth, therefore no allowance has been made for capital expenditure to be funded from financial contributions during the term of the Long Term Plan 2015-2025. With Council having recently identified and rezoned areas in the District for future growth, the potential exists for development to occur in these identified growth areas creating the demand for public infrastructure before any infrastructure has been provided.

## **3. Policy for Charging Financial Contributions**

Financial contributions (whether money, land, or a combination of both) may be required as conditions of land use and subdivision consents in relation to the matters below. It should be noted that the amount or value of contributions (if any) will depend upon the circumstances of each resource consent application.

The purpose, circumstances and maximum amount of financial contributions that may be imposed by the Council as a condition of consent is specified below:

### **Land Transport (Roads and Footpaths)**

**Provision of new roads and streets** - Required where access to the site cannot be provided from existing streets. Maximum amount is the actual cost of building the road, and connecting the site to road network including the value of the land.

**Upgrading and widening of existing roads** - Required where development would result in the need to upgrade the road or the capacity of the existing road to serve the development. Maximum amount is the actual cost of the work.

**Off-street vehicle parking/loading spaces** - Where on-site parking is required by the District Plan but cannot be provided to meet the requirements, Council may require a financial contribution to provide and maintain nearby public car parks. Maximum amount is \$2,000 per car parking/loading space.

**Street lighting** - Council may require the upgrading of street lighting where, as a result of a proposed development, it is deemed necessary. Maximum amount is the actual cost of the work.

### **Water Supply**

**Water Supply** - To ensure that a satisfactory supply of water is provided to a development, Council may require a potable water supply to be established or connection to reticulated services to be made. Maximum amount is the actual cost of the work.

### **Wastewater Disposal**

**Wastewater Disposal** - Council may require either connection to an existing reticulated system, the upgrading of the system, or the establishment of on-site wastewater collection, treatment and disposal system for the wastewater generated by the development. Maximum amount is the actual cost of the work.

### **Stormwater**

**Surface Water Disposal (Stormwater)** - Council may require drainage facilities to reduce the adverse effects of uncontrolled run-off of stormwater from new developments. Maximum amount is the actual cost of the work.

### **Community Facilities & Services**

**Esplanade reserves/strips/accessways** - Where a subdivision development (excluding boundary adjustments) is proposed along the margins of watercourses/waterbodies that are identified in the Horowhenua District Plan as priority water bodies, the Council may require the provision of an esplanade reserve, esplanade strip or access strip.

### Exceptions

Financial contributions will not be taken where any new allotment is to be vested in Council or the Crown, or is to be used exclusively as an access lot or for a network utility structure.

### **4. Capital Expenditure Funding Sources**

The Council has identified in the LTP 2015-25 to incur capital expenditure of \$17,535,000 for community facilities (reserves, network infrastructure, or community infrastructure) to meet increased demand resulting from growth.

During the Long Term Plan period 2015-25, Council assumed that there would be no development in the identified growth areas that would require payment of financial contributions. The total cost of capital expenditure identified in the Long Term Plan would therefore be 100% funded by rates, loans and capital subsidies as set out below.

<b>Year</b>	<b>Total Capital Expenditure</b>	<b>Development Contributions</b>	<b>Financial Contributions</b>	<b>Other Sources</b>
Year 2015/16	\$2,347,000	0%	0%	100%
Year 2016/17	\$2,226,000	0%	0%	100%
Year 2017/18	\$848,000	0%	0%	100%
Year 2018/19	\$1,554,000	0%	0%	100%
Year 2019/20	\$2,061,000	0%	0%	100%
Year 2020/21	\$2,322,000	0%	0%	100%
Year 2021/22	\$1,175,000	0%	0%	100%
Year 2022/23	\$1,041,000	0%	0%	100%
Year 2023/24	\$3,362,000	0%	0%	100%
Year 2024/25	\$599,000	0%	0%	100%
<b>TOTAL</b>	<b>\$17,535,000</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>

## Land Transport (Roads and Footpaths) Activity

<b>Community Outcomes</b>	The “safe, resilient and healthy communities” and “healthy local economy and District that is growing” Community Outcomes are enhanced through having a good land Transport network.
<b>Who Benefits</b>	<p>All residents derive a benefit to access schools, their place of employment and to pursue recreational and social opportunities. However, there is a high reliance on our network by businesses to enable them:</p> <ul style="list-style-type: none"> <li>• To maintain and carry their network assets (in the case of utility companies);</li> <li>• To enable customers to access their shops (in the case of businesses in CBD): and</li> <li>• To enable product to be delivered to markets (farmers and manufacturers).</li> </ul> <p>Although primarily located in urban centres the footpaths and car parks are used by all residents and motorists. Most residents will pay for the roading network to enable recreational and business interests to be facilitated even if they currently have no need to use the network.</p>
<b>Period of Benefit</b>	Any new roading development will be loan funded with loan charges recouped over time. However, most renewals are done in a cyclic manner where the costs are evenly spread year by year and will be funded from rates into available depreciation reserves.
<b>Whose acts create a need</b>	Some high density users such as dairying or forestry can cause localised deterioration of the roading network. Council has no formal policy on user compensation but has successfully negotiated a contribution from forestry owners in the past depending on the situation and circumstance. Financial Contributions will be used to fund roading capital expenditure necessitated by new developments in identified growth areas (refer Appendix 1).
<b>Separate funding</b>	All residents and ratepayers gain equal benefit regardless of the value attributable to their properties. Some residents may not even have property. The capital value of a rating unit reflects the sale value. In the case of business this would also have a correlation to the use of the roading network as the capital value, in some respects, reflects the sale price and therefore the economic activity generated. Also, utility companies use the roading networks but pay minimal rates under land value, as their assets do not have a land value. It is, therefore appropriate to rate fund this activity separately using the capital value of the rating unit.

<b>Funding Source</b>	Public good - Targeted Rate: 100% Private Benefit - Fees and Charges: 0% Petrol Tax revenue should off-set roading costs (not treated as revenue offsetting General Rates) as the revenue is sourced from road users.
<b>Rationale</b>	Land Transport (Roads and Footpaths) is Council's single largest cost. For this reason Council has a targeted rate for land transport to enhance transparency and accountability. Rating for such a large expenditure item is practicable.

## Water Supply Activity

<b>Community Outcomes</b>	The “safe, resilient and healthy communities” and “sustainable environment” Community Outcomes have been identified as benefactors of the provision of this service.
<b>Who Benefits</b>	Those people residing on the rating units supplied with a reticulated water supply. All rating units connected can be identified and only those rating units connected or to which connection is available, benefit.
<b>Period of Benefit</b>	For operational costs there are no intergenerational equity issues. Capital projects for improvements should be loan funded to spread costs over the next generation. Renewals of assets will be rate funded in the first instance, any annual shortfall will be loan funded.
<b>Whose acts create a need</b>	High users can place extra burden on the supply necessitating greater storage capacity etc. Such users should pay for their supply on a user pays basis. Vacant sections and unconnected rating units benefit from the provision of firefighting capacity and should be charged an availability charge.  Financial Contributions will be used to fund water supply capital expenditure necessitated by new developments in identified growth areas (refer Appendix 1).
<b>Separate funding</b>	Ideally the funding mechanism should be fully user pays by use of universal water meters. However the cost of providing meters to each household outweighs the benefits of using this charging mechanism. Water meters should be used, however, for high users and anyone that is supplied outside the designated network area (being that area where houses are obliged to connect or have a right to connect). Universal volumetric charging only occurs in the Foxton Beach Community.  A Targeted rate for water supply is proposed for all other communities and to cover the fixed cost component of the Foxton Beach supply. Council does charge extraordinary users that are connected by use of a charge per cubic meter consumed. Currently metered users are charged a fixed charge enabling them to use up to a cubic meter a day (90m <sup>3</sup> a quarter) and are charged regardless of whether they use



	this or not.
<b>Funding Source</b>	Public Good -Targeted Rate: 70% - 80% (fixed charge) Private Benefit - Fees and Charges: 20% - 30% (water by meter)
<b>Rationale</b>	Water Supply was traditionally charged as a fixed charge Targeted rate which has been determined using the cost structure for each individual scheme. This approach favours those communities that have larger populations and greater economies of scale. The converse is that small communities pay more for the same service which can lead to affordability issues for small communities. Council has since 2009 set a fixed rate on each SUIP of each rating unit or for each connection, whichever is the greater, across the District as one uniform charge. Vacant sections will be levied 50% of this Targeted rate. As an availability charge to cover fixed costs and the provision of firefighting hydrants.

## Wastewater Activity

<b>Community Outcomes</b>	The “safe, resilient and healthy communities” and “sustainable environment” Community Outcomes have been identified as benefactors of the provision of this service.
<b>Who Benefits</b>	All residents and businesses. All rating units connected can be identified and only those rating units connected or to which connection is available, benefit.  Some industries place increased demand on the treatment system due to the nature of the effluent they wish to dispose of. Benefits accrue to health providers in Council's provision of a wastewater disposal service as well as the wider benefit to the environment.
<b>Period of Benefit</b>	For operational costs there are no intergenerational equity issues. Capital projects for improvements should be loan funded to spread costs over the next generation.  Renewals of assets will be rate funded in the first instance, any annual shortfall will be loan funded.
<b>Whose acts create a need</b>	Industries can place extra burden on the treatment plant. Such users should pay for their disposal on a user pays basis.  Financial Contributions will be used to fund wastewater capital expenditure necessitated by new developments in identified growth areas (refer Appendix 1).
<b>Separate funding</b>	Ideally the funding mechanism should be fully user pays by use of volumetric charging. The ability to charge in such a manner is not available as yet.  Targeted rate for wastewater is proposed. Council does charge industries that are connected using the Trade Waste Bylaw provisions and this will be retained.

<b>Funding Source</b>	Public Good -Targeted Rate: 80% - 90% Private Benefit - Fees and Charges: 10% - 20%
<b>Rationale</b>	<p>Wastewater was traditionally charged as a fixed charge Targeted rate which has been determined using the cost structure for each individual scheme.</p> <p>This approach favours those communities that have larger populations and greater economies of scale. The converse is that small communities pay more for the same service which can lead to affordability issues for small communities.</p> <p>Council has since 2009 set a fixed rate on each SUIP of each rating unit or for each connection, whichever is the greater, across the District as one uniform charge.</p> <p>An availability charge on vacant sections will be charged 50% of this Targeted rate.</p>

## Stormwater Activity

<b>Community Outcomes</b>	The “safe, resilient and healthy communities”, a “healthy local economy and District that is growing” and “the sustainable environment” Community Outcomes are enhanced through this activity.
<b>Who Benefits</b>	<p>Primarily urban property owners who gain benefits from the mitigation of flooding events. The stormwater kerb and channel and piped network is only located in urban areas.</p> <p>Stormwater drainage in rural areas is primarily part of the roading expenditure or, when the water drains into streams, they become a Regional Council responsibility.</p> <p>Most residents will pay for the stormwater network to enable recreational and business interests, and protection from flooding, even if they currently have no need to use the network.</p>
<b>Period of Benefit</b>	Any new stormwater development will be loan funded with loan charges recouped over time. However, most renewals are done in a cyclic manner where the costs are evenly spread year by year and will be funded from rates using available depreciation reserves.
<b>Whose acts create a need</b>	<p>Exacerbators include developers who increase the impervious surface areas in their developments</p> <p>Financial Contributions will be used to fund stormwater capital expenditure necessitated by new developments in identified growth areas (refer Appendix 1).</p>
<b>Separate funding</b>	All urban residents and ratepayers and road users gain a benefit related in part to the size of the house on the rating units serviced by the network. And as the Capital Value of the property bears some relationship to the size of the house Capital Value rating was



	seen as an appropriate mechanism. It is not practicable to charge a fee for such a service as it is equally available to all urban ratepayers.
<b>Funding Source</b>	Public Good - Targeted Rate: 100% Private Benefit - Fees and Charges: 0%
<b>Rationale</b>	As the stormwater system and network is primarily an urban service to protect urban rating units Council decided to set a Targeted rate for stormwater to enhance transparency and accountability. Rating for such a large expenditure item is practicable.

## Passive Reserves and Beautification Activity

<b>Community Outcomes</b>	The “safe, resilient and healthy communities” Community Outcome is enhanced by this activity.
<b>Who Benefits</b>	The public generally the reserves tend to be available to all unless congested. However there are occasions where reserves are used to hold events where the public is charged entry. Ratepayers generally are prepared to pay for the option of using reserves for recreation while others would be prepared to pay rates to ensure the continued existence of reserves. Most Districts and towns of any size would be expected to have reserves. Some reserves are iconic and attract visitors from outside the District. Preservation of such reserves for future generations is worth paying for. Esplanade Reserves are provided to maintain public access to water bodies.
<b>Period of Benefit</b>	Most reserves have been in existence for some time and only incur yearly operational costs. Any new facility would be loan funded and loan cost spread over future generations. Council has a maximum loan period of 25 years.
<b>Whose acts create a need</b>	Vandals are an exacerbator. However, the general community, particularly those with children, that create the need for play equipment and facilities.  Financial Contributions in the form of land will be used to provide esplanade reserves where subdivision developments occur adjacent to Priority Water Bodies identified in the District Plan.
<b>Separate funding</b>	A separate Targeted rate is probably not necessary as reserves are generally located throughout the District and can be used by the public and visitors alike.
<b>Funding Source</b>	Public Good - General Rate: 95% - 100% Private Benefit - Fees and Charges: 0% - 5%
<b>Rationale</b>	As reserves are able to be used by anyone and any charge or fee would limit accessibility and participation the general rate is the most appropriate method of funding passive reserves.

## **5. Enforcing the Policy**

The provisions that relate to the contents of a financial contributions policy are set out at section 106(2) and (4) of the Local Government Act 2002 ("LGA02"). In section 106(2)(f) it states that the policy must, if financial contributions will be required, "summarise the provisions that relate to financial contributions in the District Plan". The Horowhenua District Plan does not currently include any specific provisions for financial contributions.

A consent authority must not include a condition in a resource consent requiring a financial contribution unless the condition is imposed in accordance with the purposes specified in the District Plan and the level of contribution is determined in the manner described in the District Plan.

This Financial Contributions Policy will not be able to be implemented until such time as a plan change to the District Plan has been initiated and become operative. Until a plan change to the District Plan requiring financial contributions has been adopted there will be a period where no development contributions or financial contributions are charged. Once the Financial Contributions Plan Change has been adopted, financial contributions will be charged against developments in the new growth areas of the District.

Under this Policy no development contributions will be charged for new developments from 1 July 2015. Historic developments that have not already been invoiced for a development contribution will not need to pay a development contribution even if they were previously liable to pay a contribution. There will be no refunds for contributions previously paid in good faith under Council's previous Development or Financial Contribution Policies

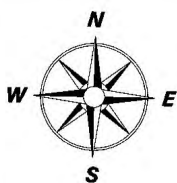
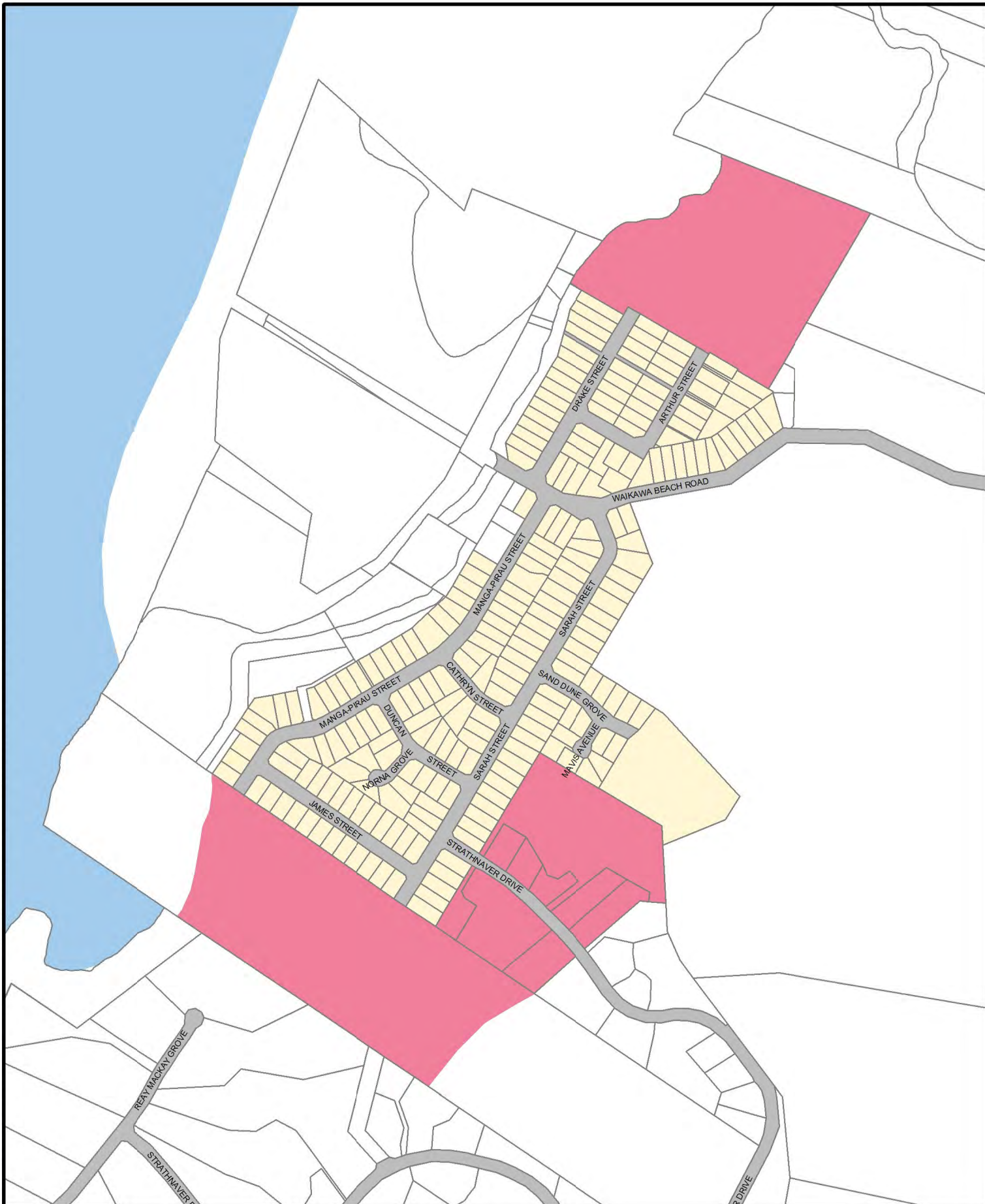
## **6. Reviewing the Policy**

Council is required to review its Development Contributions or Financial Contributions Policy every three years.

Should circumstances change once operative and there becomes an identified need to make changes to the financial contribution provisions of the District Plan then this Policy would be amended through the special consultative processes identified in Section 83 of the Local Government Act 2002. This would follow with a change to the District Plan.

Notwithstanding the above, this Policy will be reviewed at least three yearly as part of the review of the Long Term Plan where the appropriateness of this Policy will be assessed and changes recommended to Council when considered necessary. Council is entitled to review the Policy earlier if it determines it necessary using the special consultative process.

## Appendix 1: Growth Area Maps



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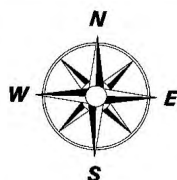
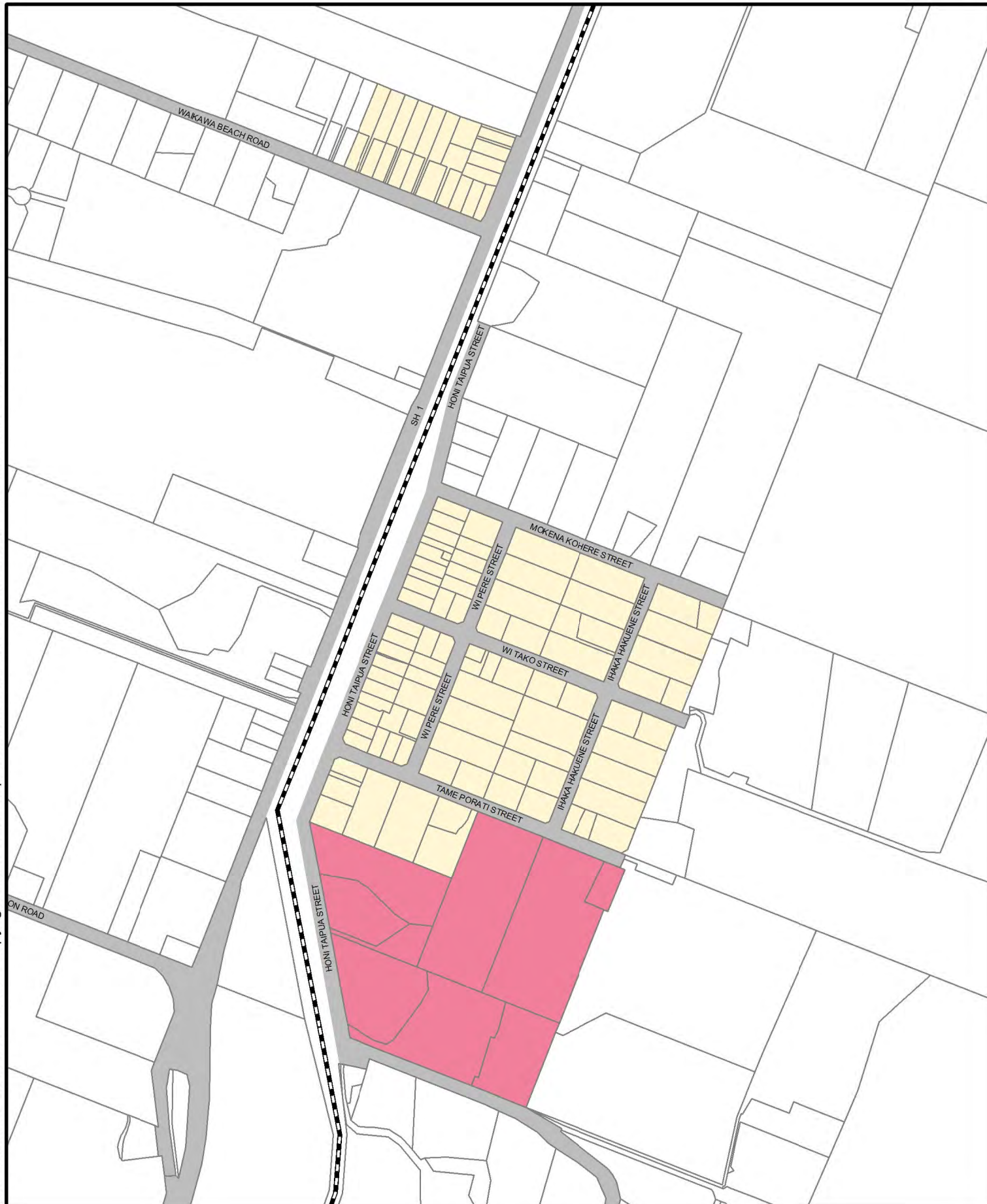


Financial Contribution Area



Urban Area





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Financial Contribution Area

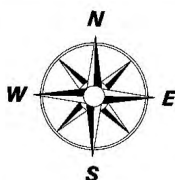


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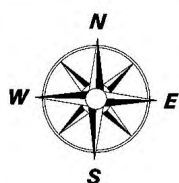


Financial Contribution Area



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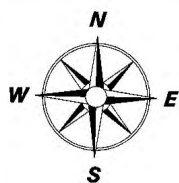
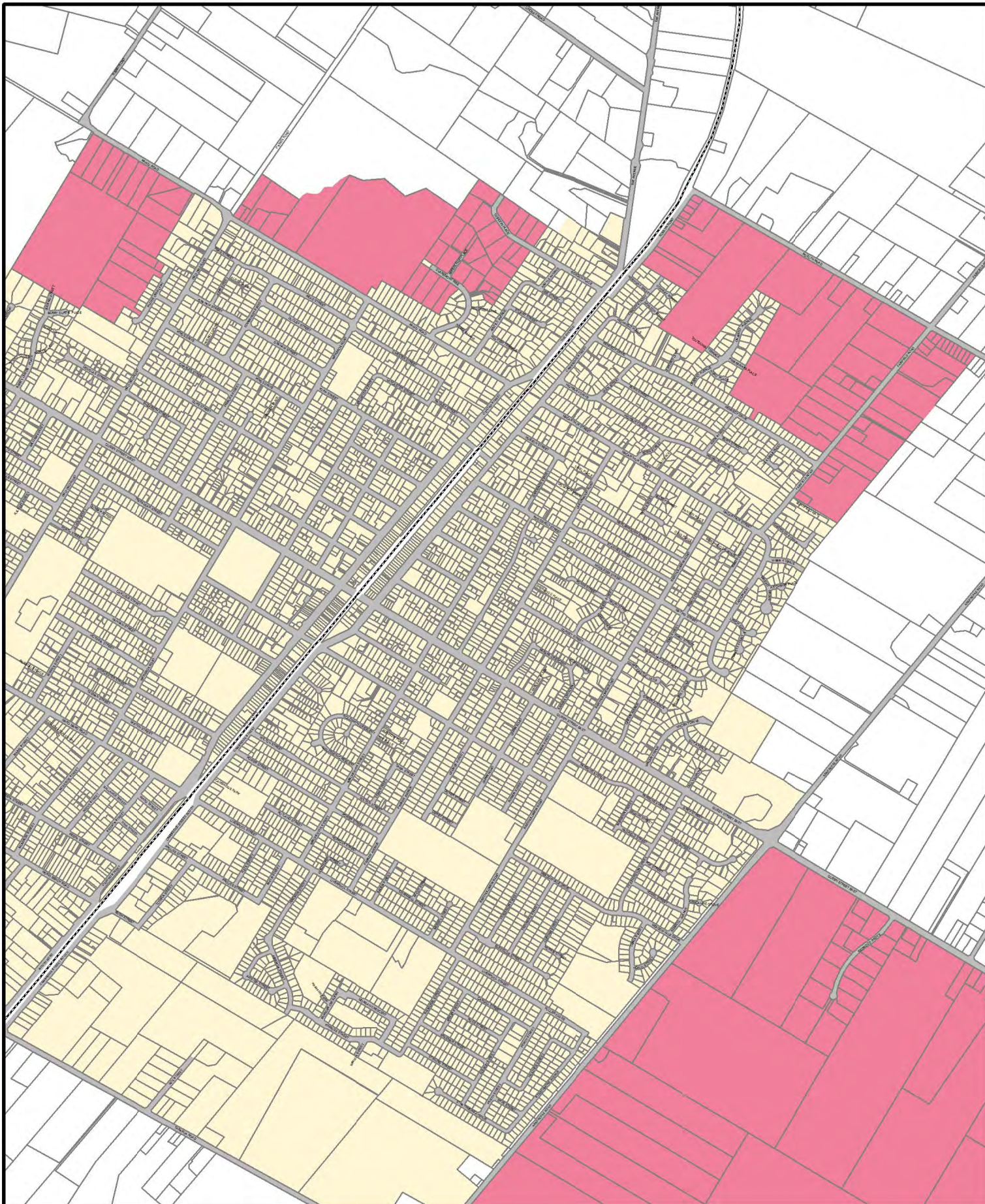
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### Financial Contribution Area



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Financial Contribution Area



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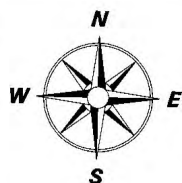
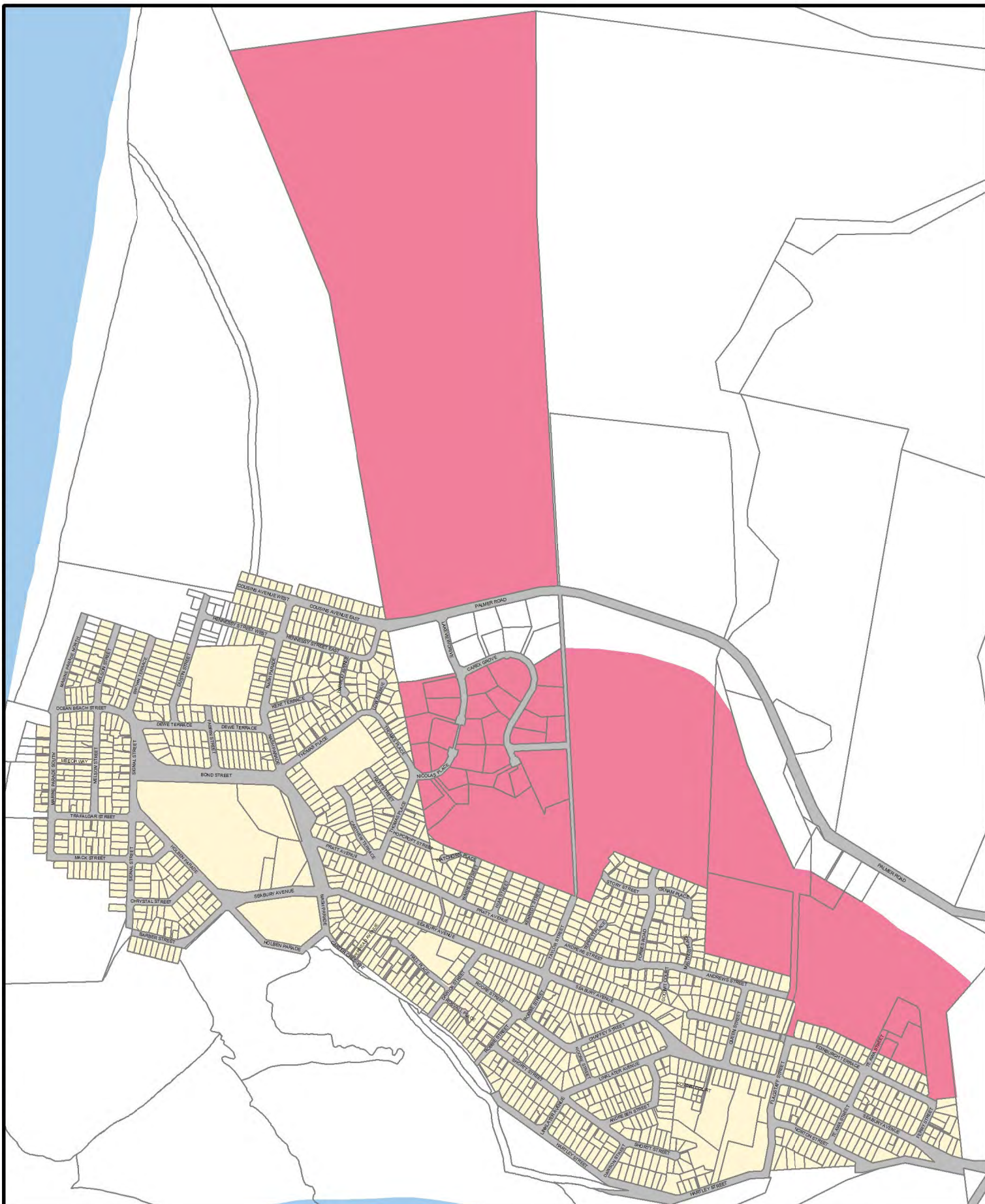




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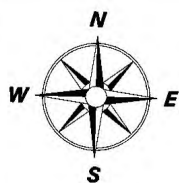


Financial Contribution Area



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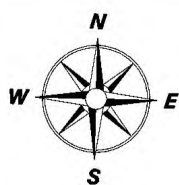
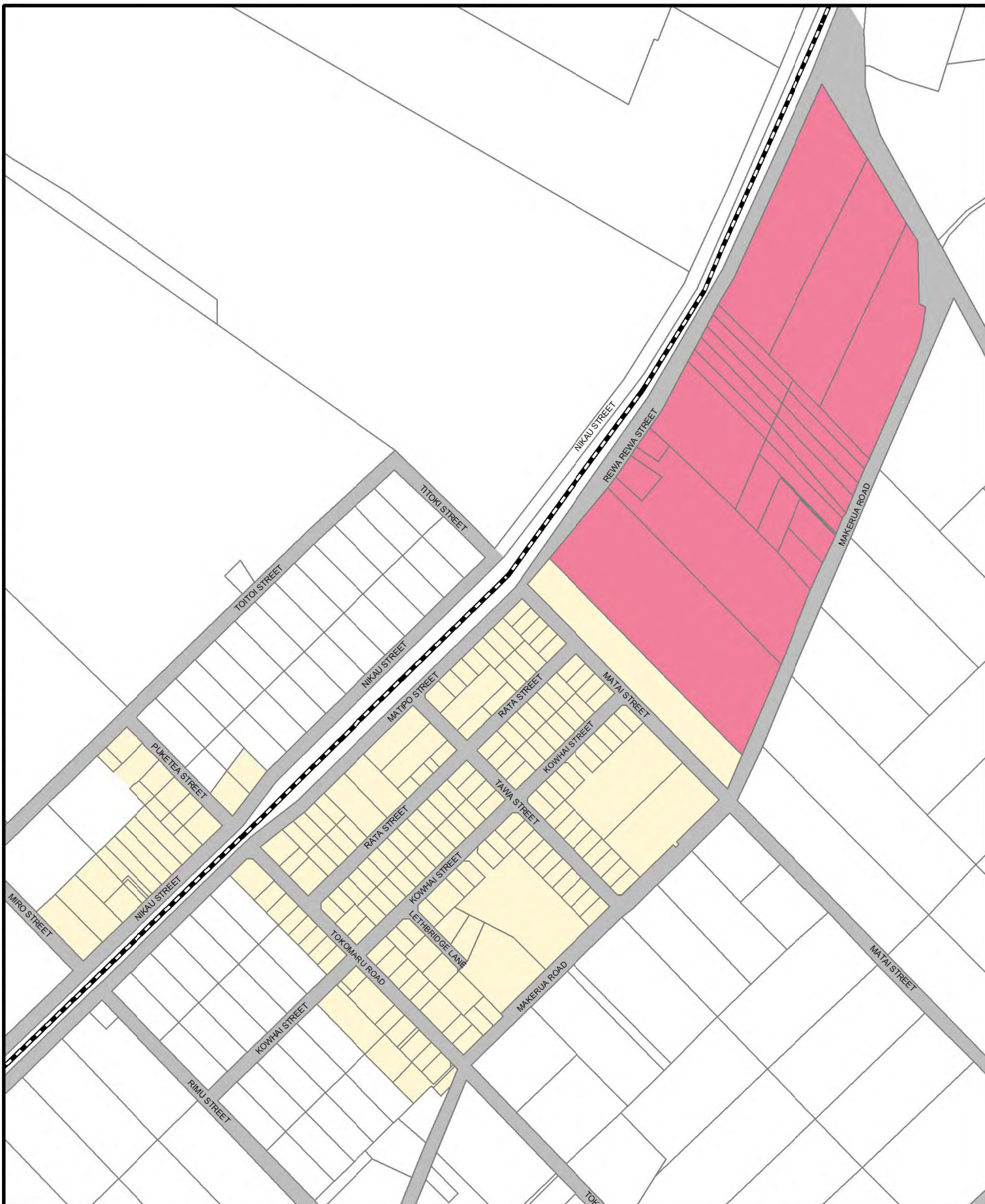


Financial Contribution Area



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Financial Contribution Area



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