

# Horowhenua District Development Contributions Policy 2021

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## A About this guide

You will have seen a lot of development going on in our district recently. This is expected to continue in the future. The big challenge is to fund the infrastructure needed to support new development. One way of doing this is to use development contributions.

What are they? Development contributions are charges that can be levied by the Council to enable it to recover the capital cost of infrastructure. This is the infrastructure it needs to service new development resulting from population and business growth. Council has adopted the Development Contribution Policy 2021 on 30 June to give effect 1 July 2021 to give a transparent framework for requiring contributions and showing how they link to the various growth-related capital works being carried out.

If you are planning a subdivision, an extension to a residential, commercial or industrial building, or planning a new property development, you may be asked to pay a development contribution.

In this guide, you will find an overview of the policy, some context on the growth we are facing, and an explanation of how contributions are worked out from the Council's growth projections and its capital programme.

The guide contains answers to some common questions. It helps you understand if you will have to pay a contribution, what you will be paying for and what the amount of the contribution could be. It contains some examples to help you understand how the development contributions policy works and how it might apply to your proposed development.

You will also better understand when, in the development process, a contribution has to be paid and steps you can take to ask for the contribution reduced or postponed in certain circumstances.

This guide is only a starting point. You may want to dive into the policy itself, but if you have questions about development contributions for your project, go to [Horowhenua.govt.nz](http://Horowhenua.govt.nz) and enter 'Development Contributions'. If you'd like to talk with someone, call Council on 06 366 0999 or email [enquiries@horowhenua.govt.nz](mailto:enquiries@horowhenua.govt.nz)

In fact, we encourage you to talk to our planning staff early in the development process, before lodging a building or resource consent. This will ensure that any development contributions are factored into your development decisions from the outset.

## B What are Development Contributions?

Development contributions are levies paid to the Council to fund the infrastructure needed to service new development that is being carried out to accommodate a growing population and a growing business sector.

They are one of a number of sources for funding growth capital expenditure. Others include **financial contributions, grants, subsidies, asset sales, special purpose vehicle (SPV) levies, targeted rates** and **user charges**. All will play their part and we will talk more about them further along in this guide. It has to be said though that development contributions remain the primary funding tool for growth-related capital spending in New Zealand at the moment.

Even then, there are strict limits on what development contributions can be used for. They cannot be used to renew aging assets or improve levels of service to the existing community. Those costs need to be funded by rates and other sources like subsidies and grants.

## C Why are Development Contributions required?

Council is required to have a development contributions policy as part of a package of funding and financial policies under the Local Government Act 2002. These policies provides predictability and certainty about sources and levels of funding. Certainty for who?

Developers will know what they are paying for and will know that Council can give them the infrastructure needed to support their investments.

The existing community will know that it will not be burdened by the costs of growth but that it will be contributing to that part of any growth-related infrastructure that improves its own levels of service or renews aging assets.

## D What about rates and other sources?

Rates are mainly used to fund operating and maintenance costs and the renewal and improvement of existing infrastructure. Without development contributions to fund growth capital spending, there would be a huge burden on ratepayers. To fund the additional infrastructure capacity needed to service growth, as well as development contributions, the Council will look to use third party funding from central government agencies such as the New Zealand Transport Agency – Waka Kotahi.

In some cases, the developer will directly fund or otherwise provide for network infrastructure, community infrastructure and reserves that Council would normally have provided as part of its capital programme. Council will have to come to an agreement to pay the developer before it requires a development contribution for the same infrastructure.

Targeted rates can and have been used to fund infrastructure needed for new growth areas. In 2020, legislation was passed enabling entities called special purpose vehicles (SPV's), wishing to fund large pieces of infrastructure, to impose SPV levies on particular growth areas. The Council will collect these levies from new residents and businesses and pass them on to the SPV, enabling it to recover its costs.

In all cases, the Council is careful to remove the value of funds received from any of these and other sources from the amount of development contributions.

## E We are a growth district

Horowhenua is forecast to grow by over 11,200 households in the next 20 years and continue to see residential, industrial and commercial expansion.

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 2018-2038 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 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.

There is some uncertainty around business growth 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.

To account for any slowdown in business activity, a lower business growth rate has been built into the development contributions 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.

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.

## F Where do development contributions fit in?

All of the growth we are expecting will create the need for additional water supply, wastewater, stormwater, roading and community infrastructure over and above that needed for renewing existing assets and improving levels of service.

Development contributions are expected to fund around \$224.6 million (23.7%) of the total capital programme of over \$945 million. The balance will be funded by rates (55.3%) and other sources such as grants and subsidies (21%).

The Horowhenua District Council Development Contributions Policy came into force on 1 July 2021. It affects people developing new residential, commercial or industrial land and buildings. Prior to the introduction of the policy, the cost of financing infrastructure to meet the demands of growth was met almost entirely by ratepayers. It is unfair to require ratepayers to continue to subsidise the cost of growth. The development contributions policy ensures that those who create the need for this infrastructure and directly benefit from Council providing additional infrastructure capacity are those who should pay for it. Contributions will be paid on any development or subdivision that generates additional demand on our infrastructure services.

## G What infrastructure will be funded by development contributions?

The Council manages most of its infrastructure on a network basis. Development contributions will be used to fund additional capacity in the following networks:

- water supply;
- wastewater treatment;
- stormwater;
- roading; and
- community infrastructure.

## H Where will development contributions be required?

The amount of any development contribution will vary depending on location. Our roading network and our community infrastructure facilities can be used and enjoyed by the whole community and so the development contributions will be the same across the district. We call these district-wide 'catchment' contributions.

When it comes to water supply, wastewater treatment and stormwater networks - rural properties that do not connect to these networks are excluded from paying any contribution. When we look at our urban areas, the costs of providing growth-related infrastructure vary from one area to another, because of this, the development contribution policy creates separate catchments for each urban area where the particular service is available or proposed to be available in future. In all, there are:

- three water supply catchments at Levin, Foxton and Foxton Beach, with two new catchments proposed at Ohau and Waitārere Beach, but only when the service becomes available;
- four wastewater treatment catchments at Levin, Foxton, Foxton Beach and Waitārere Beach, with one new catchment proposed at Ohau when the service becomes available there; and
- two urban stormwater catchments at Levin and Foxton Beach, although a single district-wide catchment is also used to deal with growth capacity projects in any of our seven urban areas as the situation demands.

Tara-lka growth area pays the district-wide contributions and the Levin 3-waters charges. Because of the extra costs needed to open up a new growth area like this, it has its own catchment for additional roading, stormwater and wastewater treatment contributions.

## I How does Council work out development contributions?

### It all links back to the capital programme

As part of its long term plan, the Council prepares a capital expenditure programme that it plans to undertake over the next twenty years. Capital expenditure is carried out for a number of reasons.

Firstly, it can be used to renew aging assets used by the existing community, as those assets come to the end of their useful lives.

Secondly, Council sets 'levels of service' for its infrastructure. These can be driven by community expectations, safety concerns, environmental or statutory obligations. The mandated drinking water quality standards are a good example. When assets are expected to fall below the levels of service, the Council plans capital spending to upgrade them in good time.

Thirdly, Council carries out capital spending to provide more infrastructure capacity to service new development for residential and business growth. The twenty-year time frame allows Council to spread the cost of major projects over their 'capacity life', sharing them amongst all who will use them.

In some cases, capital projects can be attributed solely to growth and the whole cost goes toward development contributions.

In most cases though, it is efficient to add growth capacity to the network at the same time as doing renewal or level of service projects. In such cases, the capital cost is split. Only the costs attributable to growth go into the development contributions.

The Council also removes the costs it expects to recover through third party funding such as grants, subsidies or developer-funded assets.

Development contributions are not a tax on development. They have a direct connection to the capital programme through projects caused wholly or partly by growth or projects giving benefits to incoming residents and businesses.

### Is some infrastructure funded and built ahead of growth?

Yes. Sometimes it makes sense for Council to fund infrastructure ahead of the development that will use it. Council borrows to fund this infrastructure and interest costs are initially paid by existing ratepayers. However, Council has made the decision to include interest in the development contribution amounts, so that when contributions are paid all interest incurred is recovered.

### Is the development contribution based on infrastructure upgrades occurring in the vicinity of my land?

No, not always. In most cases, local infrastructure in and around a development is funded by developers themselves. The Council mainly focuses its capital programme on 'big ticket' assets serving the network. Council infrastructure will serve large-scale developments in the network and also deal with the cumulative effects of numerous smaller developments over time. All of these, large and small, use up capacity in the networks and they need to fund additional capacity through development contributions.

### In summary - how do we calculate the development contribution?

Council sets out its twenty-year capital programme.

It removes expenditure for renewal and improving levels of service for existing ratepayers. It removes the value of funds it will receive from subsidies, grants and other third party sources.

It identifies those costs directly attributable to growth, adds interest and assigns the final costs to the catchments they will serve. For each capital project, it divides the growth-related costs by the number of growth units expected to use up capacity of the asset in the catchment.

This gives the development contribution amount. All the amounts across the district can be found in Table 1 of the policy. They exclude GST.

| TABLE 1 - SCHEDULE OF DEVELOPMENT CONTRIBUTIONS |                |          |                          |          |            |        |          |              |         |          |                      |         |          |          |
|---|----------------|----------|--------------------------|----------|------------|--------|----------|--------------|---------|----------|----------------------|---------|----------|----------|
|   | Land Transport |          | Community Infrastructure |          | Stormwater |        |          | Water Supply |         |          | Wastewater Treatment |         |          | TOTAL    |
|   | Tara-ika       | District | Tara-ika                 | District | Tara-ika   | Scheme | District | Tara-ika     | Scheme  | District | Tara-ika             | Scheme  | District |          |
| Levin   |                | \$618    |                          | \$1,247  |            | \$152  | \$386    |              | \$3,363 | \$0      |                      | \$8,195 | \$0      | \$13,962 |
| Tara-ika  | \$2,254        | \$618    |                          | \$1,247  | \$1,671    | \$152  | \$386    | \$0          | \$3,363 | \$0      | \$1,715              | \$8,195 | \$0      | \$19,601 |
| Foxton  |                | \$618    |                          | \$1,247  |            | \$0    | \$386    |              | \$899   | \$0      |                      | \$881   | \$0      | \$4,031  |
| Foxton Beach                                    |                | \$618    |                          | \$1,247  |            | \$92   | \$386    |              | \$1,596 | \$0      |                      | \$965   | \$0      | \$4,905  |
| Shannon/Mangaore                                |                | \$618    |                          | \$1,247  |            | \$0    | \$386    |              | \$0     | \$0      |                      | \$0     | \$0      | \$2,251  |
| Tokomaru  |                | \$618    |                          | \$1,247  |            | \$0    | \$386    |              | \$0     | \$0      |                      | \$0     | \$0      | \$2,251  |
| Waitarere Beach                                 |                | \$618    |                          | \$1,247  |            | \$0    | \$386    |              | \$4,678 | \$0      |                      | \$2,053 | \$0      | \$8,982  |
| Ohau  |                | \$618    |                          | \$1,247  |            | \$0    | \$386    |              | \$2,726 | \$0      |                      | \$2,789 | \$0      | \$7,767  |
| Rural   |                | \$618    |                          | \$1,247  |            |        |          |              |         |          |                      |         |          | \$1,865  |

Note 1: These contribution amounts do not include GST  
Note 2: Wastewater contribution for Ohau will only apply when the service becomes available and new and some existing properties connect  
Note 3: Water supply contribution for Ohau and Waitarere Beach will only apply when the service becomes available and new and some existing properties connect.

## K Who pays development contributions?

Development contributions are paid by people who get consents to carry out development by subdividing land, building new homes or business premises or connecting to water supply and wastewater networks for the first time.

Council first has to show that 'development', as defined in the Act, is actually taking place. It takes place when the consented activity either on its own or cumulatively with many other consented activities, places additional demand on infrastructure and this causes Council to incur expenditure to add more capacity to its networks.

When 'development' does take place, the person receiving the consent can be expected to pay a development contribution.

## L Are there cases where development contributions don't have to be paid?

Yes. Here are some examples where no additional demand is expected on one or more of our infrastructure networks and no development contribution will be payable.

- A farmer builds a new workshop and tractor shed. There will be no additional traffic on the roads and the farm is not connected to water or wastewater in any event.
- A developer has an old house removed from a lot and builds a modern replacement. The old house was already connected to the water supply and wastewater networks. No additional demand is expected on the roading network or on community infrastructure.
- In a subdivision, a lot is covenanted for bush protection and another as a shared driveway serving three houses. Neither will generate any additional demand for infrastructure.
- A business makes alterations to its business premises that do not increase the floor area. These alterations will not place any additional demand on infrastructure.

Note: Make contact with Council to understand if your development will require a contribution to be paid.

## M What is meant by 'deemed paid'?

A key part of this policy is what we call the '**deemed paid**' provision. What it means is that any existing lot or building, that is already legally established on a development site when a consent is applied for, is 'deemed' to have paid for the infrastructure it uses.

The assumption is that its infrastructure has been paid for in the past by a previous financial or development contribution or by rates. The applicant does not have to prove any past payment.

When Council processes the application, it will only look for additional demand expected over and above that already provided for. Some examples:

- A house is to be built for the first time on a vacant lot created in a subdivision several years ago and the property is currently paying for water and wastewater or the available charge for water and wastewater. The lot is deemed to have had a contribution paid when it was created. No development contribution will be payable on the new build.
- An old industrial building is to be renovated and extended. The lot it is on and the original building are deemed to have paid a contribution in the past. Only the new building extension could be liable for a development contribution.

## O Let's talk about Units of Demand (UoD)

Let's assume that you do expect to pay a development contribution. The obvious question is 'how much?'

Development comes in many forms. Each new development, for reasons of type, shape and size places different demands on infrastructure from others. To measure demand, the policy uses what we call a 'unit of demand' (UoD). We use the demand on infrastructure, typically expected from a 2 or more bedroomed dwelling as 1 UoD, our basic unit of measurement.

When a development application is processed, we compare the demand expected from the proposed development with that of one dwelling.

To do this, the policy has a standard table (Table 3), showing the demand expected from a range of different types of lots and developments.

## P Special Assessment

If the proposed development does not fit into the various categories listed in Table 3, it can be subject to a special assessment.

Special assessment can also be used when the proposed development is of a type listed in Table 3, but can be shown to place far less demand on Council infrastructure than that normally expected from the type.

In doing a special assessment, the Council will consider the nature and scale of the development and its relative demand on infrastructure capacity when compared to other development types listed in Table 3.



In carrying out a special assessment, the Council will give equal weight to:

- the proposed traffic, water supply, wastewater and stormwater flows from the development and its resulting *demand* on infrastructure;
- any *benefit* that the development and its occupants will still derive from other Council funded growth infrastructure in the network.

Here is an example. A residential development holds and treats all of its stormwater runoff on-site. It places no additional *demand* on the public network. However, it will benefit from a capital project to stop flooding in the surrounding area and the town centre. This is because residents will enjoy better, safer access around the town in times of heavy rainfall. A reduced stormwater contribution may still be required.

## Q When in the development process must contributions be paid?

### Assessments

The Council will issue an *assessment* of development contributions on any development proposal when granting:

- a resource consent for land use;
- an authorisation for a service connection (to water supply and/or wastewater);
- a certificate of acceptance, under the Building Act 2004;
- a subdivision consent; and
- a building consent.

An important thing to know is that when assessing your application, the Council must apply the development contributions that were in the policy in force at the time you made the application and it was accepted by the Council.

If the policy is amended while your application is being processed, the amounts you expected to pay when you made application cannot be changed.

### Invoicing

You can ask to pay a development contribution immediately after receiving your assessment.

Otherwise, in the case of a resource consent for land use, a service connection and a certificate of acceptance, an *invoice* for payment of the development contribution will be issued 14 working days after granting these consents, authorisations or certificates. This gives the consent holder time to seek a review of the development contribution assessment before getting an invoice.

In the case of a subdivision consent, an *invoice* will only be issued when Council receives an application for a certificate under section 224(c) of the Resource Management Act 1991.

For a building consent, an *invoice* will only be issued when the first building inspection is carried out.

These later invoicing times for subdivision and building consents are to allow the applicant to pay the development contributions closer to the time when lots can be sold and when buildings are ready for occupation and sale.

### By when must I pay?

The due date for payment will be specified on the invoice (20 days) and if the development contribution is not paid by that date, Council can withhold a land use consent and cause any work to cease. It can prevent the service connection taking place, withhold the section 224(c) certificate or in the case of a building consent withhold the code compliance certificate.



## R Can development contributions be reviewed, reduced or postponed?

### Remissions and reductions

As an applicant receiving a development contribution assessment, you can ask the Council to review the contribution amount and for it to be remitted or reduced if it meets certain criteria. Council has decided that it will consider remissions or reductions to an assessed development contribution in two cases.

The first is where the development is expected to provide a *significant community benefit*. The applicant must be a social housing provider, providing housing at a price below the district median house price, or an incorporated society or a charity. The development by the society or charity needs to be seen as contributing to the health and safety of the community or alleviating hardship, vulnerability or cruelty. Alternatively, it needs to meet certain financial criteria that affect the viability of the development.

The Council also needs to be sure it can fund the development contributions shortfall from another source.

The second case is where the applicant has provided or funded the same infrastructure that the Council is seeking development contributions for. The Council will look to reduce the contribution by the value of works done or funded. See also the section on development agreements below.

### Postponements

The Council will also consider postponing the payment of the development contribution but only in two cases.

The first is in the case of a subdivision consent, where the Council may postpone payment and grant a section 224(c) certificate prior to payment. The applicant can then proceed to have titles issued for lots in the subdivision. However, the Council may seek security of payment by registering a charge on the title of the property under the Land Transfer Act 2017.

The second case is where a land use consent has been granted, but one or more building consents still need to be granted for the development to go ahead. The Council will recover the development contributions when granting the building consents. However, like the subdivision, it may register a charge on the land titles.

It is also worth noting that if building consents are applied for under a later policy than was in force when the land use consent was applied for, the development contribution amounts applying will be those in the new policy. It is possible the applicant will pay a higher contribution per unit of demand.

### The process and other avenues available to you

You will need to make your request for review no later than 14 working days after the Council issues the assessment.

Council will ask you to provide specific details of why your proposed development qualifies for a remission, reduction or postponement. The Council's Hearing Committee will then consider your request and may charge a fee, determined in its annual schedule of fees, for processing it.

A Council review as described, is in addition to the rights of reconsideration and objection that you already have in sections 199A, 199B and 199C of the Act, You may want to use those if you are unhappy with your development contribution assessment. Have a look at the Act yourself if you wish or contact the Council to find out more.

## S Development agreements

### Can I give land to Council in lieu of paying my development contribution?

No, the Council will not accept land as a form of payment for all or part of a development contribution. All of Council's land requirements for infrastructure projects will be negotiated in separate transactions outside of the development contributions policy.

### Development agreements

The Council does however recognise the benefits of entering into agreements with developers, particularly where the developer offers to provide land or assets that Council would normally have provided itself as part of its capital programme. Any development contributions will still be assessed, invoiced and paid in the normal manner.

By agreement, in separate transactions, the Council will pay the developer for any land and assets provided. The policy sets a number of criteria about following procurement procedures and getting good value for money. In other words, the Council will not be obligated to use a particular developer to provide land or assets simply because a development contribution is payable, particularly if it can get better value for money through other suppliers.

## T Where do I get more information?

We hope this guide has been helpful. Please ensure you refer to the Council's website. Go to [Horowhenua.govt.nz](http://Horowhenua.govt.nz) and enter 'Development Contributions'. If you'd like to talk with someone, call Council on 06 366 0999 or email [enquiries@horowhenua.govt.nz](mailto:enquiries@horowhenua.govt.nz)

If you are considering a development, Council strongly advises that you assess and confirm what development contributions may be payable before you commit to a project.