

23 February 2021

[REDACTED]

[REDACTED]

Response - Official Information Request

I refer to your request for information received on 26/01/2021. Your request has been considered under the Local Government Official Information and Meetings Act 1987 (LGOIMA) and I provide the following information.

(i) All briefings to Councillors apropos the review of Financial Contributions Policy (2015); and all briefings to Councillors apropos Development Contributions

Please refer to the LGOIMA response, dated 8 October 2020 that was sent to [REDACTED], titled *HDC Information re: the two development contributions workshops* for the briefings and information up to that point.

Since the date of the 8 October 2020 response, there have been additional Council briefings and workshops held on the following dates in relation to infrastructure funding and development contributions.

- 2 December 2020 (Council Briefing)
- 11 February 2021 (Council Briefing)
- 17 February 2021 (Council Workshop)

Attached, are the presentations for each of these as well as the information that was provided to Elected Members in advance of the Council Workshop for 17 February 2021.

(ii) Council is aware that the Financial Contributions Policy must be reviewed at least once every three years.

At least once could indicate several reviews during the three-year period. How many reviews have occurred since 2015? Provide evidence and copies of reviews.

The Financial Contribution Policy was rolled over without any changes as part of developing the Long Term Plan 2018-2038. No formal review was undertaken

(ii) What steps are being undertaken by the Horowhenua District Council to include Development Contributions and Financial Contributions and future Horowhenua District Plans?

Council has been considering infrastructure funding tools including Development Contributions and Financial Contributions in the development of the Long Term Plan 2021-41.

Council will be consulting on levying Development Contributions and an updated Development Contributions Policy as part of the LTP 2021-41 Consultation Document. The consultation on this is scheduled for March 2021 and will be subject to Council adopting the LTP 2021-41 Consultation Document and Supporting Information. If a Development Contributions Policy is pursued, this is likely to reduce the application or need to have financial contributions. Council also recognises that with the uncertainty resulting from the recently announced RMA reforms, financial contributions may have some limitations and therefore it may not be worth proceeding with a plan change to the District Plan to implement a Financial Contribution Policy.

The consultation on the LTP 2021-41 would propose a Development Contribution Policy being in place from 1 July 2021.

If you have any queries regarding this information, please contact David McCorkindale, Group Manager Customer & Strategy on 06 366 0999 or email: davidbm@horowhenua.govt.nz

Horowhenua District Council publishes responses to Local Government Official Information and Meetings Act 1987 (LGOIMA) requests that we consider to be of wider public interest, or which relate to a subject that has been widely requested. To protect your privacy, we will not generally publish personal information about you, or information that identifies you. We will publish the LGOIMA response along with a summary of the request on our website. Requests and responses may be paraphrased.

Yours sincerely,



Lisa Slade
Executive Sponsor - LGOIMA

From: Katrina Gray
Sent: Monday, 15 February 2021 2:15 pm
To: \$ Councillors
Cc: Ashley Huria; Senior Management Team; Jacinta Straker; Doug Law
Subject: Update: Council Workshop
Attachments: Development Contributions Policy Part 1 - 15 February.docx; Development Contributions Policy Part 2 - 15 February.docx

Good afternoon,

The Development Contributions Policy workshop on Wednesday **will now occur via Zoom**. This decision has been made in light of the Covid-19 Level 3 restrictions in Auckland which means neither of the presenters will be able to attend in person (they are both Auckland based). To enable discussion to occur between the presenters and Elected Members, the whole meeting will occur remotely (much like during the lockdown).

You will need to logon to the Zoom meeting remotely (from your house or other location) using the following link/meeting details - <https://us02web.zoom.us/j/81243888447?pwd=TnNNVlBCRXViY2svb2lLVWlMkpBdz09>
Meeting ID: 812 4388 8447
Passcode: 798296

The meeting will remain open to the public as requested (and communications to the public provided) as follows:

- the meeting will be streamed online, and
- the Chambers will streaming the meeting and will be open to the public to ensure anyone without an internet connection can watch. Chairs will be socially distanced.

Direction sought from workshop

In advance of the workshop, please find attached the draft development contributions policy documents. There will be presentations by Rob Bates (DC's policy) and Dan Auber (DC's model – how the development contribution is calculated).

Direction will be sought from Elected Members on the following:

- **Activities** - Range of activities for funding in the new policy
- **Catchments** - Initial direction is sought, though much will depend on location and nature of capex projects planned in the LTP
- **Development Agreements** - References and guidelines to development agreements in DC policy
- **Timing of payment** - Timing of payments, early payment, postponements, deferred payment fee and debt recovery
- **Reductions** - Scope of reductions
- **Interest** - Interest on future projects
- **Cost of contribution** – the outcomes of the model.

If you have any questions, please feel free to contact me.

Kind regards,
Katrina

Katrina Gray
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LGNZ.**

HOROWHENUA DISTRICT

INFRASTRUCTURE FUNDING AND DEVELOPMENT CONTRIBUTIONS POLICY OVERVIEW AND GROWTH CONTEXT

2 DECEMBER 2020

INTRODUCTION

- Development contributions – one source of funding capital projects
- Specifically the part of the project that can be attributed to new growth and development
- We know growth is occurring in Horowhenua District
- That growth is already or will take up capacity in capital assets
- Unless we can identify and recover cost of that capacity – it falls to existing community to fund it
- Levels of service can decline

ELECTED MEMBERS WORKSHOP SERIES

First of 3 workshops

1. Overview of DC policy building blocks, DC model and growth context
2. Directions workshop – Key workshop in building a policy tailored to Horowhenua District – its community, geography, particular challenges
3. Draft policy and model – look at some early numbers coming out

WORKSTREAMS

Four workstreams to deal with all matters under the Act

A. Key policy decision points

B. Growth projections and modelling

C. Infrastructure programme and
modelling

D. Practical implementation process

CURRENT POLICY POSITION

- Development Contribution (DC) Policy 2012 suspended
 - Elements we can build on e.g. growth areas
- Financial Contribution (FC) Policy - none identified or calculated but it retains the ability to adopt through plan change if needs be
- The distinction:
 - FC's for local works that developers would normally do BUT where Council becomes financially involved
 - DC's for larger scale bulk works that Council would normally do

DEVELOPMENT CONTRIBUTION LEGISLATION (1)

- Local Government Act 2002 – enabling legislation
- Local Government (Community Well-being) Amendment Act 2019
 - Widened the Community Infrastructure definition
- Previously quite narrow – playgrounds and public conveniences
- Community facilities definition includes reserves

DEVELOPMENT CONTRIBUTION LEGISLATION (2)

- Typically water supply, wastewater, transport and stormwater infrastructure can be/is funded by development contributions (DC's)
- Now, parks, sportsfields, car parking associated with reserves, reserves themselves, halls, community centres, libraries and other public amenities, are all able to have funding recovered through DC's
- Note: Legislation to remove financial contributions by 18/04/22 has been repealed (RMA Amendment Act 2019)
- No specific FC's levied but FC's could be introduced during plan changes – they remain an option

HOROWHENUA DISTRICT CONTEXT (1)

- Growth and infrastructure workshops reveal:
 - Growth occurring steadily across the District – compared with historical pattern
 - A fundamental shift in thinking is now required
 - Move to a higher (95th) percentile projection
 - Strong influencing factors – transport links – shifting focus to the south
 - Levin - one of four Wellington regional centres

HOROWHENUA DISTRICT CONTEXT (2)

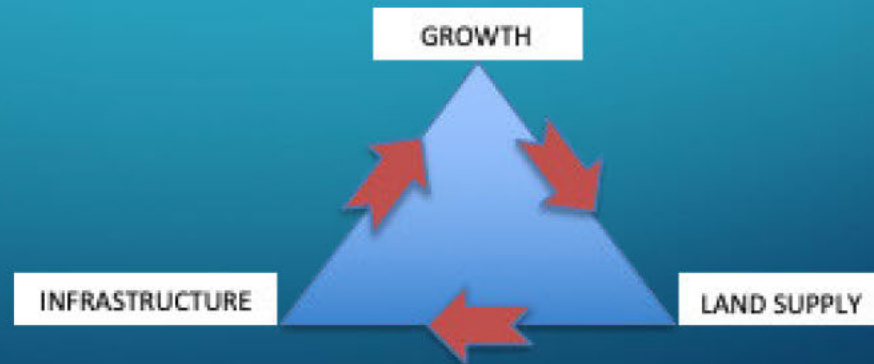
- In some cases – growth expected at scale in specific locations – for example Taraika
- Other possibilities for residential & business developments - greenfield and infill
- There is a lot of capacity in the District Plan – more to come
- Foxton and Waitarere Beach Master Plans
- Plan change for increased lot densities and heights in 2021
- If and when taken up – it needs supporting infrastructure

HOROWHENUA DISTRICT CONTEXT (3)

- There are always infrastructure challenges from growth:
 - Servicing 2500 homes and business at Taraika
 - Levin water – major capital spending – past and future
 - Network infrastructure and community infrastructure can all expect pressure from a high growth outlook
 - Renewal projects – possibilities for replacing and adding growth capacity
 - Smaller urban centres will have their own challenges – even if growth occurs at modest scale

GROWTH INFRASTRUCTURE LAND TRIANGLE (1)

- Even modest steady growth needs to be provided for
- As infrastructure capacity is consumed and not replaced, it has the potential to:
 - Burden the existing ratepayers to top up lost capacity
 - Cause declining levels of service in networks and community facilities
 - Potentially acts as a deterrent to growth



- The connection - growth, land supply and infrastructure - is not linear

GROWTH INFRASTRUCTURE LAND TRIANGLE (2)

- Sufficient zoned land – good but not the only consideration
- Developers like certainty of bulk infrastructure
- Uncertainty (security of supply, levels of service, reliability, pricing, marketability) can be a ‘red flag’
- Worst case - developers have to fund and build bulk infrastructure if earlier than signaled in the LTP)
- Conversely good infrastructure and a clear path to funding in the LTP provides certainty and can be very attractive
- The Act talks of ‘*predictability and certainty*’ (s102(1))

SOURCES OF FUNDING

- Main sources of funding for growth capex – Development Contributions and Financial Contributions
- Other sources – targeted rates, grants, subsidies and asset sales
- Taking contributions and using other sources is only one aspect
- Can quickly end up with high numbers
 - Timing and staging is critical – large, early LTP spending, too widely spread – high interest costs in advance of take-up
 - Monitor growth annually and respond
 - Development agreements – assist both Council and developers with cash flows
 - Distinguishing local from bulk network infrastructure
 - Procurement processes – good value for money

DEVELOPMENT CONTRIBUTIONS - WAY FORWARD (1)

- A lot of specific matters in the Act to check off
- Asset managers prepare infrastructure responses to growth and land supply (plan changes and zoning):
 - network wide and locally
 - at programme and/or project level
 - at least for next 10 years – in this case 20 year outlook
- They will cost those items and be asked to attribute all/any/none of cost to growth
- Assign any growth costs to the 'catchments' they will serve

DEVELOPMENT CONTRIBUTIONS - WAY FORWARD (2)

- Then divide that cost among growth expected in the next 20 years in each catchment
- Any spare capacity at Year-20 is carried over
- So 20-year LTP growth cost divided by 20 years growth = \$ contribution amount
- Perception that DC's are a highly complex 'black box' - not so.
- DC policies are now widely used, tested, transparent and easy to administer
- Transparency and consistency are important

DEVELOPMENT CONTRIBUTIONS - WAY FORWARD (3)

- In Workshop 2, direction will be sought on a range of matters key to a sound DC policy such as:
 - The **philosophy on growth** and new development
 - **Activities** for which contributions are an appropriate funding source
 - The interface between **development and financial contributions, and other sources**
 - **Catchments** (service areas)
 - Approach to any **past capital spending** being brought forward

DEVELOPMENT CONTRIBUTIONS - WAY FORWARD (4)

- The use of **development agreements** in certain circumstances – as opposed to blanket approach
- Very useful where bigger developers have the ability to go ahead – set guidelines
- **Timing of DC payments** – subdivision approval, title, building consent or connection
- **Reductions and postponements** – if any
- **Reconsiderations, objections and refunds** – follow the law
- Other **practical application** (across the counter) issues

QUESTIONS

HOROWHENUA DISTRICT

DEVELOPMENT CONTRIBUTIONS POLICY DIRECTIONS WORKSHOP

11 FEBRUARY 2021

ELECTED MEMBERS WORKSHOP SERIES

Second of 3 workshops

1. Overview of DC policy building blocks, DC model and growth context
2. Directions workshop – Key workshop building a policy tailored to Horowhenua District – its community, geography, particular challenges
3. Draft policy and model – look at some early numbers coming out

DEVELOPMENT CONTRIBUTIONS – DIRECTIONS (1)

- Direction on a range of matters key to a sound DC policy:
 - The **growth context**
 - The interface between **development and financial contributions, and other sources**
 - **Activities** for which contributions are an appropriate funding source
 - **Catchments** (service areas)

DEVELOPMENT CONTRIBUTIONS - WAY FORWARD (4)

- The use of **development agreements**
- Very useful where bigger developers have the ability to go ahead – set guidelines
- **Timing of DC payments** – subdivision approval, title, building consent or connection
- **Reductions and postponements** – if any
- **Reconsiderations, objections and refunds** – follow the law
- Other **practical application** (counter) issues

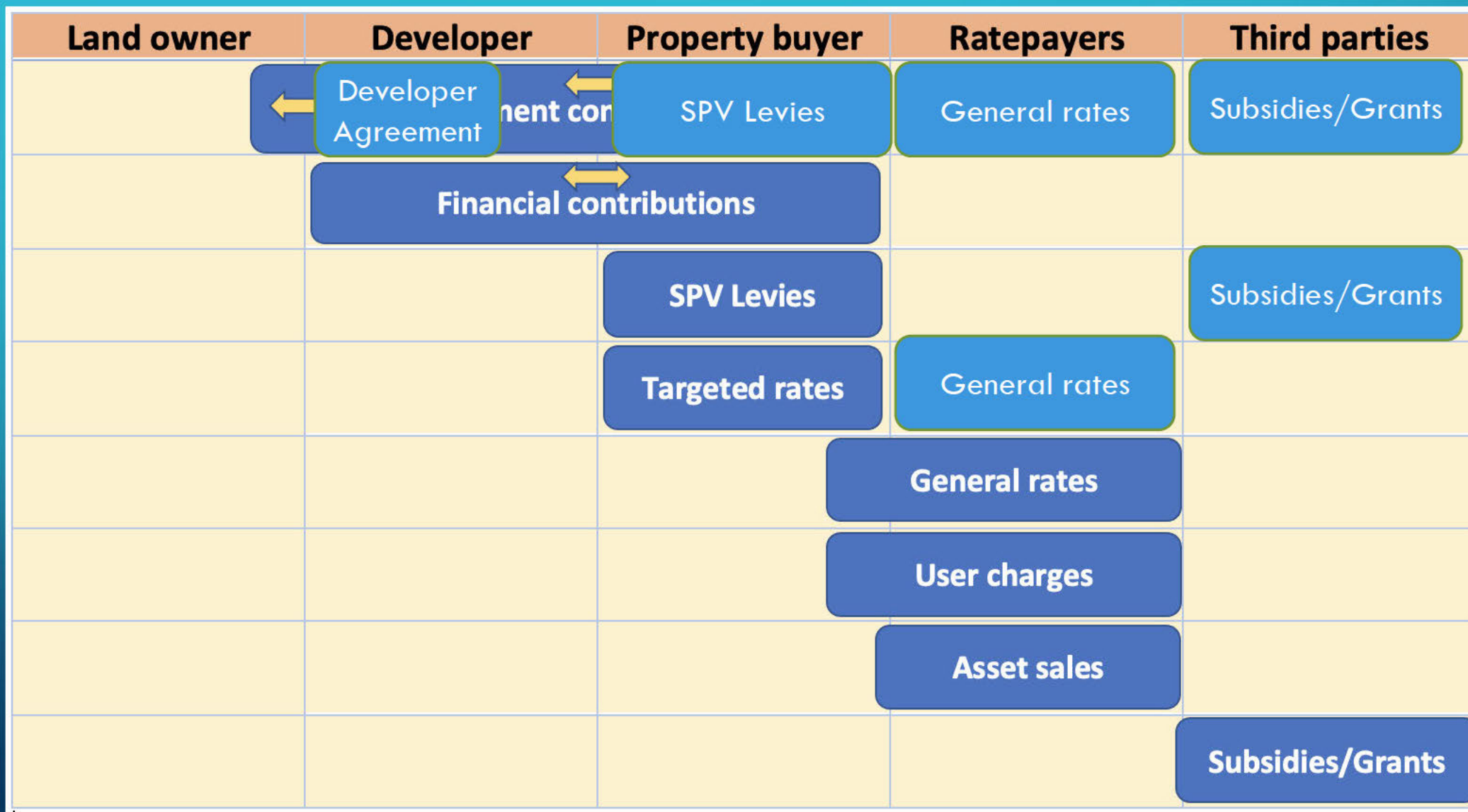
GROWTH CONTEXT

- Strong growth taking place – large scale in some areas - drivers
 - 95th growth percentile has been confirmed
 - Growth is happening and Council is responding
 - Moving to increase supply of developable land
 - Growth will take up capacity in infrastructure of all kinds
 - Capital programme has a strong growth element and needs to be funded
- More to follow on sources of funding

SOURCES OF GROWTH INFRASTRUCTURE FUNDING

- Discussed in detail in Workshop 1
- The focus on development contributions – what about other sources?
- Arguments for and against DC's are wide ranging from:
 - a tax rather than a true price – inefficient, inequitable
 - passing costs down to home buyers – can't compete with existing housing stock
 - DC's are an opportunity to pass costs upward to raw land owners
 - Prevent windfall gain to land owners of zoned but **un-serviced land**
- DC's are a significant source of funding for growth capex
- Must be seen as part of a toolbox of funding options

SOURCES OF FUNDING – WHERE COSTS FALL



DEVELOPMENT CONTRIBUTIONS AND LEVY ORDERS

Development contributions	
Pros	Cons
Cost recovery comes sooner – interest costs lower	Affects house price – some of the DC will go to sale price
Predictability and certainty of sources of funding	Passing costs down to home buyers – can't compete with existing housing stock
Predictability and certainty of DC price	Seen as a tax rather than a true price – inefficient, inequitable
DC's an opportunity to pass costs upward to raw land owners – avoid windfall gain on zoned but un-serviced land	
Can take account of Levy Orders for SPV's negotiated during the life of the DC policy – reductions/ waivers	
SPV Levy Orders	
No upfront cost to developer	Costs are born by new ratepayers: (affordability is one issue in seeking authorisation s27(4)(d))
Can enable Council to commit to the capital programme for growth – while keeping within borrowing limits	Slower recovery of costs. Interest implications
Can work in unison with DC Policy. Equivalent project removed from DC Model. DC drops accordingly	Levy Orders need to be: <ul style="list-style-type: none"> • proposed- various 'hoops' s18, • assessed by recommender s19 • endorsed by infrastructure authority s20 • endorsed by levy authority s21 • recommended to Minister s25,26 and all s27 matters • Minister consults other Ministers s28 • Order in Council s29. Recommendation for a levy order may still fail
Best suited to specific eligible projects (including area-specific projects)	Uncertainty and unpredictability until successfully negotiated
	Less incentive to negotiate raw land prices down
	One project per SPV
	May not be suited for ongoing programmes in LTP where specific works not yet identified

SOURCES OF GROWTH INFRASTRUCTURE FUNDING

- Retention of Financial Contributions Policy 2015
- Adopted at a time of low growth – it replaced the 2012 DC Policy
 - s106(2) – the policy must summarise the total cost of growth-related capex in the LTP; and
 - the proportion funded by various sources
 - s106(6) – the policy must be reviewed once every 3 years
- At least requires updating with specific FC capex; or
- Need for Plan Change / RMA Reforms
- Move to not use FC's for the current LTP

ACTIVITIES FOR FUNDING USING DC'S

- Typically:
 - Roading
 - Wastewater
 - Water supply
 - Stormwater
- Now, community infrastructure (and land), parks, sportsfields, car parking associated with reserves, reserves themselves, halls and any other public amenities
- All these are able to have funding recovered through DC's if appropriate

ACTIVITIES FOR FUNDING USING DC'S

- R&FP confirms these activities appropriate for funding using development contributions
- In making a DC Policy, the Council has the opportunity to include:
 - The 4 main network utilities – roading, water supply, wastewater and stormwater
 - A range of community infrastructure and reserves e.g. Levin Aquatic Centre, Donnelly Park
- Direction/confirmation is sought on the range of activities for funding in the new policy

CATCHMENTS

- Legislation: s197AB (g): when calculating and requiring development contributions, territorial authorities **may group together certain developments by geographic area or categories of land use**, provided that—
 - (i) the grouping is done in a manner that **balances practical and administrative efficiencies with considerations of fairness and equity**; and
 - (ii) grouping by geographic area **avoids grouping across an entire district wherever practical**.
- So we're looking for the service areas of the assets provided for growth
- Large catchments are practical and easy to administer – but the Act discourages them

CATCHMENTS

- Roading and larger community infrastructure – lend to district/sub-district catchments;
- Relatively easy with water, wastewater, stormwater – closed networks
- Changes on the horizon for water and wastewater that would support the use of district-wide catchments
- Possibility to consider district-wide charge – in interests of ‘practicality’ and ‘fairness and equity’
- Possibly have separate growth area catchment ‘layers’ – big capex items specific to a growth area
- Growth area still pays towards the downline plant and trunks
- Initial direction is sought, though much will depend on location and nature of capex projects planned in the LTP

DEVELOPMENT AGREEMENTS – S207A-F

- The DC Policy - standard process for most developments
- Complex developments – developer-driven infrastructure, land swaps, staged payments
- Development agreement can help facilitate development
- The Act provides for contractual agreements – developer/s and local authority
- Agreements are proving useful and nothing lost by including reference in DC Policy
- Voluntary to enter – no compulsion but once agreed, terms are binding
- Act sets out contents, limitations, process for disputes and termination
- Can set guidelines in policy - value for money, projects in the LTP
- **Direction on – references and guidelines to development agreements in DC policy**

TIME OF PAYMENT (1) S198(1)

- A territorial authority may require a development contribution to be made to the territorial authority *when—*
 - (a) a **resource consent is granted** under the Resource Management Act 1991 for a development within its district
 - (b) a **building consent is granted** under the Building Act 2004 for building work situated in its district
 - (c) an authorisation for **a service connection is granted**
- Section 198(4)(a) – remediation – in **granting a certificate of acceptance**
- **Option 1** to require DC's at these points in time
- Points (a) and (b) are very early in the development process – before development occurs in each case:
 - a subdivision consent – considerable cost to the developer when title (sale of lots) is some way off
 - a building consent when a home may take 3-12 months to complete after consent granted

TIME OF PAYMENT (2)

- So the statutory time points can be a deterrent to developers
- Some local authorities offer various ways to require at a later time
- **Option 2** to:
 - Issue an **assessment only** upon granting consent
 - Invoice and require payment in the case of:
 - a subdivision consent, upon application for a section 224(c) certificate (Resource Management Act, 1991) – Council can withhold the section 224(c);
 - A building consent, upon commencement - Can withhold code compliance or a service connection
- **Option 3** consider postponements case-by-case – questions of practicality/costs

TIME OF PAYMENT (3)

- **In summary:** 3 basic options to invoice as early as possible through to extending payment to later/ last statutory point
- A variation to delayed payment on subdivision. Register a statutory land charge against the title of the land – Land Transfer Act 2017
 - Deals with any failure to pay but may also assist developers bringing developments to market
- Deferred payment costs to Council as it waits for payment
 - Section 198(2A) fixes DC's to levels consistent with *contents the DC policy in force at the time of application* – unable to increase contribution
 - If the policy includes a fee on deferred payments, this could cover increases over time
 - However it could be seen as punitive and add administrative complexity

TIME OF PAYMENT (4)

- Section 208 of Act contains **remedies for non-payment:**
 - withholding s224(c) certificate
 - preventing commencement of resource consent
 - withholding code compliance and certificate of acceptance; and
 - withholding service connection
- OR
- Section 252 of the Act - a development contribution is recoverable as a debt
- Direction on – timing of payments, early payment, postponements, deferred payment fee and debt recovery

REDUCTIONS

- Option to reduce/waive if the use creates a **significant public benefit** – charities, fire stations etc or there are **affordability** issues
- Section 200(1)(b) – reduce contribution if **developer will fund or otherwise provide** for the same reserve, network infrastructure, or community infrastructure
- But, if capital expenditure is still required, the **value has to be recovered from elsewhere** – grants funding/ other sources
- Risk – must limit scope and avoid funding “holes”
- Adds administrative complexity and subjectivity
- **Direction sought on scope of reductions**

RECONSIDERATIONS, OBJECTIONS AND REFUNDS (1)

- All set in legislation – little/no latitude
- Section s 199A(1) - Right to a **reconsideration** and s202A(1) says DC Policy must set out a process for reconsideration
- Scope is limited – incorrect calculation, application or incorrect information used
- **Objection** – Section 199C-P sets the process (199D defines scope)
- Related to the development itself:
 - Features that reduce the impact of the development on requirements for community facilities*
 - Infrastructure not related to the development
 - Breach of section 200 – other funding sources
 - Incorrect application of the policy

* (Ryman Healthcare Limited v Auckland Council, 2016) development found to have less demand on stormwater and community infrastructure – no projects and expenditure identified – no causal relationship – developer had spent money mitigating effects

RECONSIDERATIONS, OBJECTIONS AND REFUNDS (2)

- Sections 209 and 210
- **Refund** if:
 - the development does not proceed – consents lapse
 - Council does not provide the infrastructure for which the contribution was required
 - We take this to mean the **infrastructure activity** – **projects** may and obviously do change
- Refund of reserve contributions (only) within 10 years*:
 - if not used for a **specified** reserve purposes;
 - return land acquired for **specified** reserve purpose if not used for that purpose

* DC Policy may specify a longer period to refund reserve contribution or return land. For land acquired time may be as agreed with contributing party

APPLICATION MATTERS – UNITS OF DEMAND (1)

- Schedule 13(2) Attribution of units of demand to developments
- *For the purpose of determining in accordance with section 203(2) (calculating the contribution) the maximum development contribution that may be required for a particular development or type of development, a territorial authority **must demonstrate** in its methodology that it has attributed **units of demand to particular developments or types of development on a consistent and equitable basis.***
- Use the term “Unit of Demand” (UoD)
- Reasonably tried and tested methodologies – **standard tables**
 - 1 lot is 1 UoD
 - 1 standard dwelling is 1 UoD
 - Variations for smaller homes, retirement units and accommodation units
 - Factors used to convert commercial and industrial floor space to UoD
- Always opportunity for developer to seek reconsideration or object to amounts – not ideal

APPLICATION MATTERS – UNITS OF DEMAND (2)

- Workshop 3 will consider examples of using UoD tables on particular types of development once DC amounts are becoming clearer from modelling
- Some initial directions needed on:
 - Particular types of activity that may not constitute “development” – place no further demand on infrastructure – eg farm buildings, temporary activities, alterations and additions to dwellings, parking areas in business developments
 - Special assessments for unusual developments
 - Properties unable to be developed - covenants, lots smaller than the minimum lot size for the zone
 - Developments creating significant public benefits – hospices, fire stations (see also Reductions)

INTEREST (1)

- Section 197AA - *“The purpose of the development contributions provisions in this Act is to enable territorial authorities to recover from those persons undertaking development a fair, equitable, and proportionate portion of the **total cost of capital expenditure necessary to service growth over the long term**”*
- A good case for including interest and inflation
- **For future (LTP) projects**
 - Interest can be calculated
 - However, new developments will also pay rates to fund loan interest on growth-related capital expenditure
 - Risk of “double charging” interest
 - To avoid this Council has an option to remove interest from the development contribution amount and only recover it through rates
- **Direction on interest on future projects**

INFLATION

- Typically local authorities are using the inflated capital spending in the LTP to calculate contributions
- Some concern that a developer in Year 1 is paying more
- Avoids annual corrections and 3 sets of DC tables
- Very complex to apply
- Current low interest rates and inflation recalculated every 3 years

CONSULTATION DOCUMENT – INFRASTRUCTURE FUNDING

- Issue – growth funding
- Options / methods of funding growth
- **Option 1: Using development contributions as the main source of funding for growth infrastructure, in combination with other sources**
- **Option 2: Not using development contributions, and optimising other sources**

HOROWHENUA DISTRICT

DRAFT DEVELOPMENT CONTRIBUTIONS POLICY

17 FEBRUARY 2021

ELECTED MEMBERS WORKSHOP SERIES

Third of 3 workshops

1. Overview of DC policy building blocks, DC model and growth context
2. Directions workshop – Key workshop building a policy tailored to Horowhenua District – its community, geography, particular challenges
3. Draft policy and model – look at some early numbers coming out

DRAFT DEVELOPMENT CONTRIBUTIONS POLICY

CONTENTS

- Part 1 – 1-Introduction, 2-Policy decisions and 3-Practical application
 - **Introduction** - Growth context, the infrastructure response, sources of funding and role of development contributions
 - **Policy decisions** – various matters requiring considerations and a clear policy position
 - **Practical application** – everyday use of the policy
- Part 2 – 4-Legislative compliance, 5-Contribution calculation (LTP capex and growth projections). 6-Appendices

PART 1 - SECTION 1 - INTRODUCTION

DRAFT DEVELOPMENT CONTRIBUTIONS POLICY

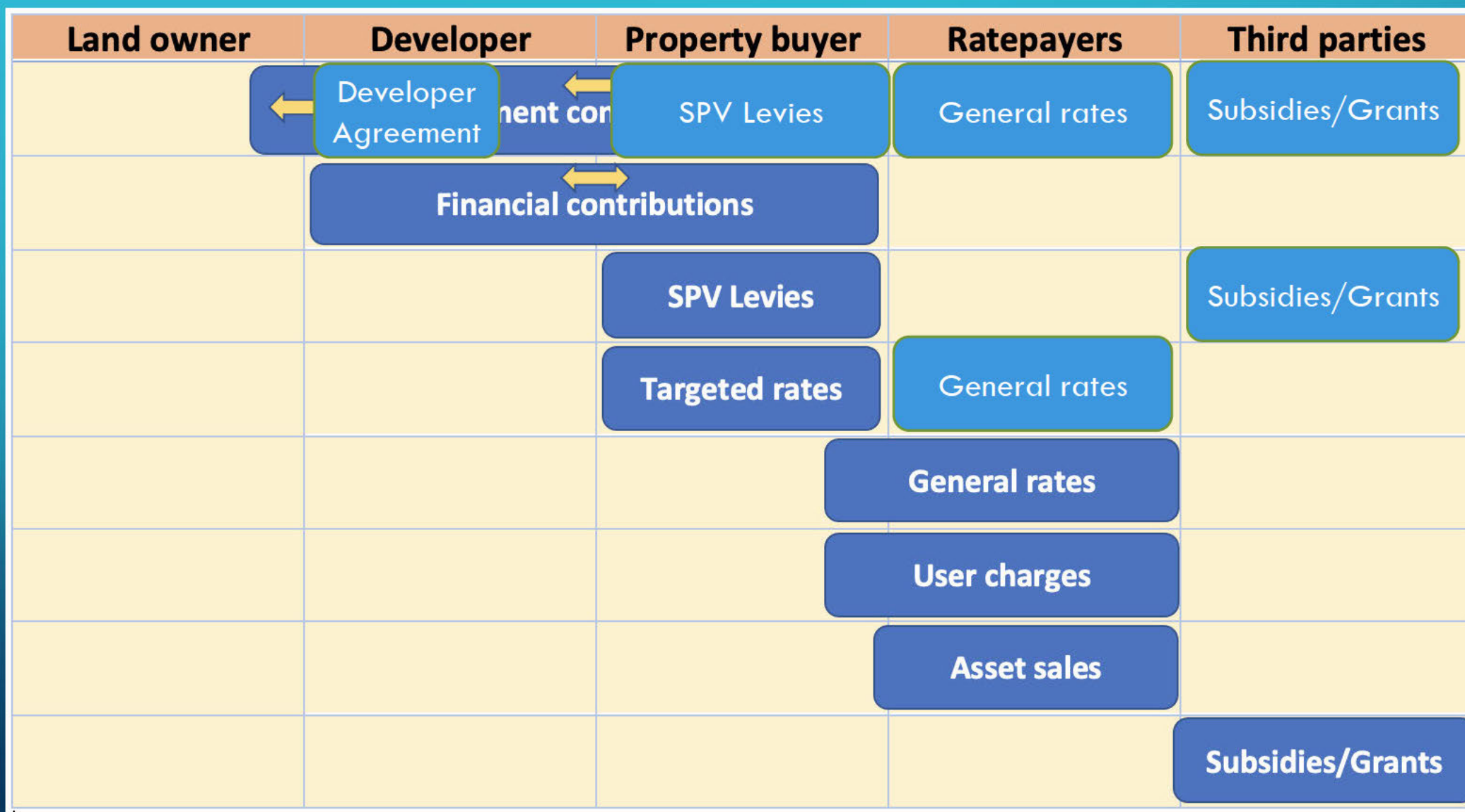
- Introduction

- Growth context
- Sources of funding and the role of development contributions
- Specific reference to financial contributions
- Role of development contributions

GROWTH CONTEXT AND SOURCES OF FUNDING

- Steady growth - large scale in some areas – strong drivers
 - 95th growth percentile has been confirmed
 - Growth is happening and Council is responding
 - Moving to increase supply of developable land
 - Capital programme has a strong growth element and needs to be funded
- Other sources of funding are listed (1.3.4) will be used “so as *not to unduly burden and discourage development with development contributions*”
- Draft policy proposes a combined ‘toolbox’ approach to funding
- Carried through to Section 2.2.6 using other sources “to avoid dependence on DC’s as the sole source..” *

SOURCES OF FUNDING – WHERE COSTS FALL - TOOLBOX



SOURCES OF FUNDING CTD

- Arguments for and against DC's, are wide ranging
- Must be seen as part of that 'toolbox' of funding options
- In a period of strong growth, we need to marshal all sources
- Draft policy proposes DC's as a significant/primary source of funding for growth capex in combination with other sources.
- See Section 1.4 and Section 2.2.5 *

SOURCES OF FUNDING CTD.

- Importantly, the draft policy recognises that Financial Contributions Policy 2015 was adopted at a time of low/no growth. It must:
 - be reviewed once every 3 years;
 - summarise the total cost of growth-related LTP capex; and
 - the proportion funded by various sources including FC's
- Until reviewed, FC's will not be a viable source of growth funding for this LTP. See Section 1.3.2 *

PART 1 - SECTION 2 - POLICY

DRAFT DEVELOPMENT CONTRIBUTIONS POLICY

- Considerations and a policy position required on matters:
 - Contributions can only be taken for 'development'
 - Activities for which contributions are an appropriate funding source
 - Catchments (service areas)
 - Development agreements
 - Various other policy matters – interest, inflation, past spending
 - Other matters covered in more detail Section 3
 - Timing of DC payments
 - Reductions and postponements
 - Reconsiderations, objections and refunds

‘DEVELOPMENT’ HAS TO TAKE PLACE

- It must generate additional demand for capital assets and cause the Council to incur expenditure
- Includes the cumulative demand of many small developments
- A test for ‘development’ must be carried out for each application
- The draft policy in Section 2.1 proposes:
 - a test for development upon receiving the application (2.1.2) *
 - it deems all existing lots and development to have paid for their infrastructure capacity in some way (2.1.3)
 - the calculation of demand in Section 3 – is to look at *what will be there after development – less – what was there before* (2.1.4) *

ACTIVITIES FOR FUNDING USING DC'S

- Typically:
 - Roading
 - Wastewater
 - Water supply
 - Stormwater
- Community infrastructure (including land), parks, sportsfields, car parking associated with reserves, reserves themselves, halls and any other public amenities
- All are able to be funded through DC's

ACTIVITIES FOR FUNDING USING DC'S

- R&FP confirms these activities are appropriate for funding using development contributions
- Bear in mind – wherever possible, other sources will be brought into play
- In making a DC Policy, the Council has the opportunity to include:
 - The 4 main network utilities – **roading, water supply, wastewater and stormwater**
 - A range of **community infrastructure and reserves** e.g. Levin Aquatic Centre, Donnelly Park
- **The draft policy proposes these activities for funding through development contributions – See Section 2.2.1 ***

CATCHMENTS (S197AB(G))

- Territorial authorities may group together certain developments by geographic area or categories of land use, but
 - must **balance practical and administrative efficiencies with fairness and equity**; and
 - must **avoid grouping across an entire district wherever practical**.
- Large catchments are practical and easy to administer – but the Act discourages them
- Some can be justified – eg roading
- If costs between areas are similar, it may be practical to combine several schemes
- Areas with relatively high costs, may require their own catchments

CATCHMENTS PROPOSAL

- Proposed catchments are in Part 1 - Appendix 1 (next slide)
based on policy in Section 2.3 as follows:
- **Roading and community infrastructure** – district catchments;
- **Water wastewater, stormwater** – ideally a single catchment but cost differentials between schemes suggest scheme-by-scheme catchments
- Some waters projects, not yet allocated to a scheme, go to a district-wide charge – in interests of ‘**practicality**’ and ‘**fairness and equity**’
- Separate **growth area catchment ‘layer/s’** – for big capex items specific to a growth area
- Growth areas still pay the scheme charge, for the downline plant and trunks *

PROPOSED CATCHMENTS – APPENDIX 1

Community Facility	Catchment	Development to which Development Contribution Applies
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)
	Any other growth areas shown in Table 1	Development in the specified growth area
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)
	Any other growth area shown in Table 1	Development in the specified growth area
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)
	Any other growth area shown in Table 1	Development in the specified growth area

PROPOSED DEVELOPMENT CONTRIBUTION AMOUNTS

TABLE 1 - SCHEDULE OF DEVELOPMENT CONTRIBUTIONS

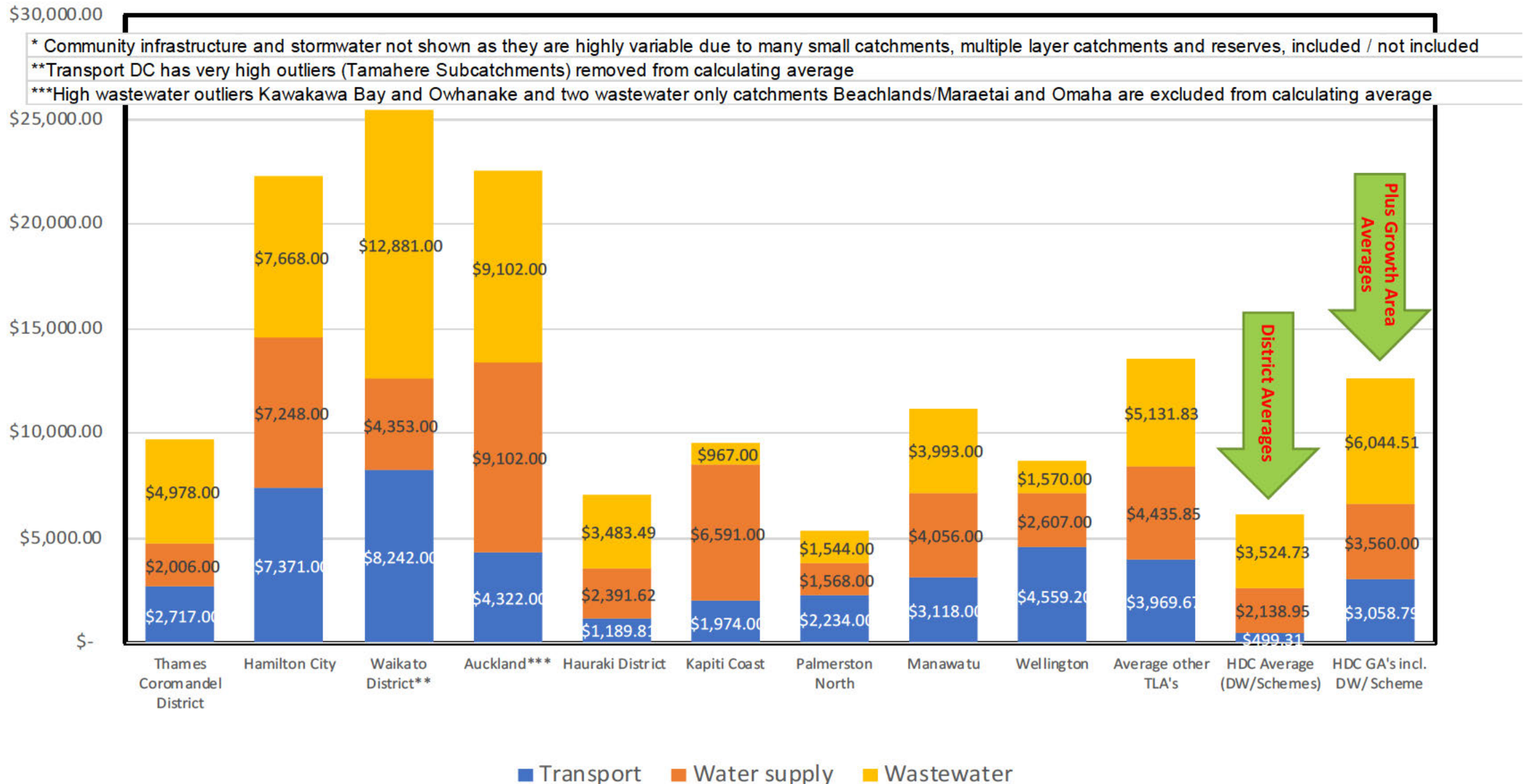
[illegible]

TABLE 1 - SCHEDULE OF DEVELOPMENT CONTRIBUTIONS - LEVIN NORTH GA INCLUDED

[illegible]

COMPARISON OF CONTRIBUTION AMOUNTS WITH OTHER COUNCILS

Average DC Charges by TLA (Note these are LTP 2018 values)



DEVELOPMENT AGREEMENTS – S207A-F

- The DC Policy - standard process for most developments – day to day
- Complex developments – developer-driven infrastructure, land swaps, staging
- Development agreement can help facilitate development
- Agreements are proving useful – can refer to them in DC Policy
- Act sets out contents, limitations, process for disputes and termination
- Can also set Council criteria in policy – procurement, value for money, only LTP projects in the DCP etc
- Draft policy proposes references and guidelines to development agreements. See Section 2.13 and 2.13.2 for the criteria *

OTHER POLICY MATTERS IN SECTION 2

- Section 2.5.1 of the draft policy does not propose to include past capital spending in development contributions *
- Act refers to projects provided in anticipation of development
- In a time of slow or no growth - no express intention to fund development capacity
- Review in 2024 to start picking up spending in the proposed LTP
- Section 2.6 sets the period of benefits of the policy at 30 years from 1 July 2021 to 30 June 2051 *
- This prevents spending in the early years (with long capacity life) being borne by new arrivals

OTHER POLICY MATTERS IN SECTION 2

- Section 2.5.1 of the draft policy, proposes the inclusion of interest and inflation in the development contribution calculations *
- Council is able to recovery *‘the total cost of capital expenditure necessary to service growth over the long term’*
- The draft policy at Section 2.8.2 takes account of the fact that a number of projects at Tara-lka are to be funded with interest free loans
- Section 2.10 sets out the draft proposal for assessing Units of Demand
 - Discuss this more fully in Section 3

PART 1 - SECTION 3 – PRACTICAL APPLICATION

SECTION 3 CONTENT

- Building on the policies in **Section 2, Section 3** sets out the steps to follow when processing an application
- There must first be the test for ‘development’ and this is set out in **Section 3.1**
- Once this is done, **Section 3** covers:
 - Units of demand
 - Calculation of the development contribution
 - Time of payment
 - Council remissions , reductions, postponement
 - Reconsiderations, objections and refunds required in law
 - Remedies when contributions not paid

UNITS OF DEMAND (1)

- Schedule 13(2) Council *must demonstrate in its methodology that it has attributed units of demand to particular developments or types of development on a consistent and equitable basis.*
- We use the term “Unit of Demand” (UoD)
- Reasonably tried and tested methodologies – standard tables
- See Table 3 of the draft policy
- Table 3 will cover most day-to-day applications
- Always opportunity for developer to seek a Council review or a reconsideration or objection under the Act to amounts – not ideal

UNITS OF DEMAND (2). WHAT TABLE 3 PROPOSES

- Proposes standard development types *
- 1 lot is 1 UoD
- 1 standard dwelling of 2 plus bedrooms is 1 UoD
- Variations for smaller homes, retirement units and accommodation units
- Proposes some activities that are not 'development' and have no demand on all or certain activities:
 - farm buildings
 - properties unable to be developed - covenants, lots smaller unable to be developed
 - business developments (for the community infrastructure activity only)
 - network infrastructure
 - developments not connecting to water or wastewater *

UNITS OF DEMAND (3). WHAT TABLE 3 PROPOSES

- Other activities **not in the draft policy yet** – that may not be ‘development’
 - temporary activities, alterations and additions to dwellings
 - parking areas in business developments
 - others? *
- **Does not distinguish between business types** * – the applicant is paying the costs of serviced land, and the capacity it offers - whatever its use in the future
- **Factors proposed** to convert commercial and industrial floor space and impervious area to UoD
- **Offers special assessments** for unusual developments not listed - Guidance in Section 3.3 *

TIME OF PAYMENT (1) S198(1)

- A territorial authority can require a development contribution when a consent of any kind is granted
- **Option 1** is to require DC's at this point in time.
- However:
 - Subdivision and building consents are granted early in the development process
 - a lot to do and costs to incur before sale of lots or houses
 - The statutory time points can be a deterrent to developers

TIME OF PAYMENT (2)

- **Option 2:**
- To issue an **invoice** on granting consent for:
 - a service connection
 - a land use consent under the RMA
 - a certificate of acceptance under the Building Act 2004
- To issue an **assessment** upon granting consent and **invoice** in the case of:
 - a subdivision consent, upon application for the section 224(c) RMA certificate - Council can withhold certificate if not paid
 - a building consent, upon commencement of building work – Council can withhold a certificate of compliance
- **Option 3** consider postponements case-by-case – questions of practicality/costs

TIME OF PAYMENT (3)

- **In summary:** 3 basic options to invoice as early as possible through to a later statutory point
- A variation to the delayed payment on subdivision. Register a statutory land charge against the title of the land – Section 118 Land Transfer Act 2017. **Policy Section 3.6.2 proposes this**
 - May assist developers bringing developments to market
- Deferred payment costs to Council as it waits for payment
 - Section 198(2A) fixes DC's to levels consistent with **contents the DC policy in force at the time of application** – unable to increase contribution
 - If the policy includes a fee on deferred payments, this could cover increases over time
 - However it could be seen as punitive and add administrative complexity

TIME OF PAYMENT (3)

- The draft policy proposes to use Option 2 *
- Section 2.11 covers the policy aspect
- Section 3.5 covers the invoicing process in practice
- No deferment fee has been written into the draft policy but could be considered *
- Section 208 of Act contains remedies for non-payment – shown in Section 3.8.1
- Section 252 of the Act - a development contribution is recoverable as a debt – covered in Section 3.8.2

REDUCTIONS, WAIVERS, POSTPONEMENTS (1)

- No requirement in the Act to offer reductions/ waivers or postponements of contribution amounts
- But If Council does, it must set out the criteria for doing so s201(1)(c)
- Has been done it in the past, before the Act mandated reconsiderations and objections
- **Option 1.** No scope for reductions in the draft policy and rely on the reconsideration and objection procedures in the Act to reconsider amounts charged
 - Gives no flexibility to Council and the only recourse for applicant is to follow formal process. Costs for all parties

REDUCTIONS, WAIVERS, POSTPONEMENTS (2)

- **Option 2.** Limited scope - On request, reduce/waive, if the use creates:
 - a **significant public benefit** – charities, hospice, fire stations etc or
 - there are **affordability** issues
- Section 200(1)(b) of the Act – already allows reductions if **developer will fund or otherwise provide** for the same infrastructure as the contribution would
- Risks:
 - subjectivity
 - if capital expenditure is still required, the **value has to be recovered from elsewhere** – grants funding/ other sources
 - adds administrative complexity and costs

REDUCTIONS, WAIVERS, POSTPONEMENTS (3)

- The draft policy proposes using Option 2 – Limited scope of reductions and waivers at Section 3.6.1 *
- The draft policy sets out a process of review to be followed and calls for an independent party to be appointed to consider reviews Section 3.6.3 *
- Postponement provisions already covered - provided for in Section 3.6.2

RECONSIDERATIONS, OBJECTIONS AND REFUNDS (1)

- All set in legislation
- Section 199A(1) - Right to a **reconsideration** and
- Section 202A(1) - DC Policy must set out a process for reconsideration – **Section 3.7**
- Scope is limited – incorrect calculation, application or incorrect information used
- **Objection** – Section 199C-P sets the process (199D defines scope)
- Related to the development itself:
 - Features that reduce the impact of the development on requirements for community facilities
 - Infrastructure not related to the development
 - Breach of section 200 – using other funding sources and not deducting
 - Incorrect application of the policy

RECONSIDERATIONS, OBJECTIONS AND REFUNDS (2)

- Sections 209-210 of the Act cover refunds –Section 3.6.4 of draft policy
- Refund if:
 - the development does not proceed – consents lapse
 - Council does not provide the infrastructure for which the contribution was required
 - We take this to mean the infrastructure activity – projects may and obviously do change
- Refund of reserve contributions within 10 years:
 - if not used for a specified reserve purposes;
 - if land acquired for specified reserve purpose is not used for that purpose

PART 2 - SECTION 4 - LEGISLATION

4.1 GENERAL

- The draft policy is being made under the Local Government Act 2002
- It observes all:
 - matters in the Act relating to policy content; and
 - builds on the principles in Section 197AB of the Act in calculating and requiring development contribution
- As drafted, **Section 4.1.2 proposes the decision to make the policy a significant decision ***

SCHEDULE OF COMPLIANCE

- Section 4.2 is a Schedule of Compliance intended to ensure all matters of law are covered
- Cross references are made to and from the Schedule and Parts 1 and 2 of the draft policy
- Section 4.3 provides measures to ensure the policy is consistent with other Council policies and bylaws

PART 2 - SECTION 5 – CALCULATING CONTRIBUTION AMOUNTS

TO BE COVERED BY DA

PART 2 – APPENDICES

LIST OF APPENDICES

- **Appendix 1** – Catchments and any accompanying maps are proposed to be in **Part 1** where they are expected to be used on a daily basis
- All other appendices are proposed to be in **Part 2** and referred to when required. They are:
 - **Appendix 2** – Assessment of Significant Assumptions *
 - **Appendix 3** - Glossary of terms
 - **Appendix 4** - Demand factors for business development (supporting **Table 3** in **Part 2**) *
 - **Appendix 5** - Schedule of assets – that contains all of the capital projects for which development contributions are being required

SUMMARY OF POINTS FOR DIRECTION (1)

Matter for direction	Section of draft policy	Slide number
Combined 'toolbox' approach to funding. Carried through to Section 2.2.6 using other sources <i>"to avoid dependence on DC's as the sole source"</i>	Section 2.2.6	6
Draft policy proposes DC's as a significant/primary source of funding for growth capex in combination with other sources.	Section 1.4, Section 2.2.5	8
Until reviewed, FC's will not be a viable source of growth funding for this LTP.	Section 1.3.2	9
A test for development upon receiving the application	Section 2.1.2	12
Draft policy deems all existing lots and development to have paid for their infrastructure capacity in some way The calculation of demand in Section 3 – is to look at <i>what will be there <u>after</u> development – less – what was there <u>before</u></i>	Section 2.1.3 Section 2.3.4	12
The draft policy proposes these activities for funding though development contributions: <ul style="list-style-type: none"> • Rooding • Water supply • Wastewater treatment • Stormwater • Community infrastructure including reserves 	Section 2.2.1	14
The draft policy proposes these catchments: <ul style="list-style-type: none"> • Rooding and community infrastructure – District wide • Water wastewater, stormwater – Scheme but with possibility to combine • Water wastewater, stormwater - District for projects not yet scheme allocated • Separate growth area catchment 'layer/s' – for big capex items • They will also pay district or scheme charges for downstream trunks and plant 	Section 2.3 and Appendix 1	16
Draft policy proposes references <u>and</u> guidelines to development agreements	Section 2.13 Section 2.13.2 for criteria	20
Draft policy does not propose to include past capital spending in development contributions	Section 2.5.1	21
Period of benefits of the policy set at 30 years from 1 July 2021 to 30 June 2051	Section 2.6	21

SUMMARY OF POINTS FOR DIRECTION (2)

Matter for direction	Section of draft policy	Slide number
Draft policy proposes standard development types <ul style="list-style-type: none"> 1 lot is 1 UoD 1 standard dwelling of 2 plus bedrooms is 1 UoD Variations for smaller homes, retirement units and accommodation units 	Table 3	26
Proposes some activities that are not 'development' and have no demand on all or certain activities: <ul style="list-style-type: none"> farm buildings properties unable to be developed - covenants, lots smaller unable to be developed business developments (for the community infrastructure activity only) network infrastructure developments <u>not</u> connecting to water or wastewater Others?	Table 3	26
Does not distinguish between business types	Table 3	27
Draft policy allows for special assessments of unusual activities	Table 3	27
Draft policy proposes to: <ul style="list-style-type: none"> assess DC's on granting subdivision and building consents – invoice at later times even registering a Statutory Land Charge upon issue of the s224(c) certificate invoice upon granting service connections, land use consents and certificates of acceptance 	Section 2.11 policy aspect Section 3.5 - invoicing	31
No deferment fee has been written into the draft policy but could be considered	-	31
Draft policy proposes using limited scope of reductions and waivers	Section 3.6.1	34
Draft policy sets out a process of review to be followed and calls for an independent party to be appointed to consider reviews	Section 3.6.3	34
Proposes the decision to make the policy is a significant decision	Section 4.1.2	38
Assessment of Significant Assumptions	Appendix 2	42
Demand factors for business development	Appendix 4	42