

**Mayor and Councillors**  
COUNCIL

12 MARCH 2015

Meeting Status: **Public**

Purpose of Report: For Decision

## **DEVELOPMENT CONTRIBUTIONS POLICY**

### **PURPOSE OF REPORT**

- 1 Council needs to adopt a Development Contributions policy, for consultation.

### **DELEGATION**

- 2 The Local Government Act requires Council to make this decision.

### **BACKGROUND**

- 3 Local Government Act amendments in 2014 mean that Council has been obliged to fully review its former Development Contributions policy and prepare a new one.
- 4 The Development Contributions policy is a funding policy for planned capital expenditure on community facilities within the District. The policy gives Council a method for assessing and collecting development contributions (DCs) to fund infrastructure that is required as a result of growth. The policy:
  - summarises and explains the capital cost identified in the next 30 years that Council expects to incur to meet the increased demand for network infrastructure (roads, water, wastewater and stormwater collection and management) and community infrastructure resulting from growth; and
  - states the proportion of the total cost of capital expenditure that will be funded by development contributions; and
  - explains the rationale for using development contributions as the funding mechanism (as distinct from other mechanisms such as financial contributions, rates, or borrowings);and
  - specifies the level of contribution payable in different parts of the District; and
  - specifies when a development contribution will be required; and
  - prescribes conditions and criteria for applications for remission, postponement and refund of development contributions.

## CONSIDERATIONS

### POLICY CONSIDERATIONS

#### FUNDING POLICY

- 5 The policy gives Council a method for assessing and collecting contributions to fund infrastructure that is required as a result of growth.
- 6 Council's Revenue and Financing policy requires the capital costs of growth to be funded by the growth community. The development contributions policy provides more details about how that funding requirement will be met: those developments that create the need for new infrastructure, or infrastructure of additional capacity, are to fund the growth component of that infrastructure.

#### Catchments - funding service areas

- 7 In the previous policy, Council largely used District-wide funding, so that developments in low-growth areas subsidised developments in high-growth areas. This approach is no longer possible under the amended Local Government Act.
- 8 The Act now requires Council to use funding service areas wherever possible, while balancing practical and administrative efficiencies with considerations of fairness, equity and the distribution of benefits among the various funding sources, including ratepayers and developers.
- 9 The funding service areas for development contributions depend on the type of infrastructure, the type of development and the impact of that development. (some parts of the District have a greater range and standard of infrastructure services than other parts (e.g., water supply or wastewater system).
- 10 The boundaries for these areas reflect current and planned future service provision, and do not necessarily conform to Council's ward boundaries.
- 11 Each capital expenditure project is assigned a specific funding service area. The proposed funding service areas in the policy are given in the table below:

	<i>Funding service areas</i>
Roading and transport	District
Water treatment and reticulation	Ōtaki Paekākāriki
Water treatment	Waikanae, Peka Peka, Paraparaumu, Raumati
Water reticulation	Waikanae Paraparaumu, Raumati
Wastewater treatment and reticulation	Ōtaki
Wastewater treatment	Waikanae, Paraparaumu, Raumati
Wastewater reticulation	Waikanae Paraparaumu, Raumati
Stormwater collection and management	District Ōtaki Waikanae Paraparaumu, Raumati Paekākāriki
Community infrastructure	District

- 12 The policy includes maps that define the funding service areas for each infrastructure group.

### Finance costs

- 13 Council will incur finance costs (interest) for infrastructure that it builds in advance of some developments occurring. For example, it may need to build a new rising main for the water supply before water can be supplied to new properties.
- 14 Council can choose to include the costs of financing in its calculation of development contributions for all infrastructure except community infrastructure that has already been built (pools and libraries). Council can also choose to fund finance costs from rates. Council proposes to fund finance costs from rates.

### Policy impacts

- 15 The impacts of the proposed policy are shown below.
- If infrastructure is provided for the whole District then the DC is the same everywhere.
  - If infrastructure is provided, but Council doesn't plan additional capacity for growth, then the DC is nil.
  - If a service is not provided in the area (e.g., wastewater), then DCs do not apply.
- 16 All developments in the District will pay a contribution to roading development (\$1,635), district stormwater (\$35) and to fund community infrastructure that Council has already built in anticipation of growth (\$1,459). The minimum contribution for a development is therefore \$3,129.
- 17 In Ōtaki and Paekākāriki DCs will be considerably lower than in the previous policy because Council plans only a limited amount of capital expenditure for growth in these areas.
- 18 Areas that require substantially increased water and/or wastewater capacity – especially Waikanae, but also Peka Peka, Paraparaumu and Raumati – will be charged a slightly higher DC than currently, because of the need to build new infrastructure for growth in those areas.

	Ōtaki	Peka Peka	Waikanae	Otaihanga, Paraparaumu, Raumati	Paekākāriki	Everywhere else
Roading	\$1,635	\$1,635	\$1,635	\$1,635	\$1,635	\$1,635
Water	\$31	\$4,935	\$5,720	\$4,999	\$0	n/a
Wastewater	\$40	n/a	\$1,456	\$258	n/a	n/a
Stormwater	\$87	\$508	\$508	\$607	\$35	\$35
Community infrastructure	\$1,459	\$1,459	\$1,459	\$1,459	\$1,459	\$1,459
<b>Total</b>	<b>\$3,252</b>	<b>\$8,537</b>	<b>\$10,778</b>	<b>\$8,958</b>	<b>\$3,129</b>	<b>\$3,129</b>
<i>2012 policy</i>	\$10,336	\$8,083	\$10,336	\$10,336	\$9,620	\$5,546
<b>Difference</b>	<b>-\$7,084</b>	<b>\$454</b>	<b>\$442</b>	<b>-\$1,378</b>	<b>-\$6,941</b>	<b>-\$2,417</b>

## Legal considerations

- 19 Council is required to have a policy on development contributions as part of its package of funding and financial policies (s102, LGA).
- 20 Maps defining the funding service areas for the policy will be tabled at the meeting.

## Financial considerations

- 21 Council plans to invest \$31 million over the next 30 years, as capital expenditure for growth. The preferred policy option provides approximately \$1 million revenue each year from development contributions. Finance costs are not included in the policy, and these will be met by ratepayers.
- 22 While the policy is not part of the Long term plan, it feeds into the Long term Plan.

## Tāngata whenua considerations

- 23 There are no tāngata whenua considerations.

## **SIGNIFICANCE AND ENGAGEMENT**

### Degree of significance

- 24 As a funding policy, this matter has a moderate degree of significance, but it is not significant under Council policy.

### Consultation already undertaken

- 25 An early draft of this policy was discussed with a number of local developers, to get their views. They did not provide any written comments on the draft.

### Engagement planning

- 26 Under section 102(1) of the Local Government Act 2002, this policy must be reviewed at least every three years using a consultation process that gives effect to the requirements of section 82. To keep things simple and cost effective, Council can consult on this policy concurrently with its Long Term Plan [s83A, LGA].
- 27 Council's Long term Plan consultation, submission and hearing process will include the development contributions policy in order to make things as simple as possible for the community, and to reduce the administrative costs of a separate consultation process.
- 28 Because the policy has both funding and revenue impacts, this option means that the consultation will occur at a useful time for people who are also considering Council financial strategy, its infrastructure strategy and its economic development initiatives.
- 29 Council will need to adopt the proposed policy, and a summary of the proposal. These are attached as appendices 1 and 2.

## Publicity

- 30 Council's LTP communications planning will include material that informs the community about the proposed development contributions policy.

## RECOMMENDATIONS

- 31 It is recommended that:
- a) the Council notes the maps that define the funding service areas for the policy [to be tabled].
  - b) the Council adopts the proposed development contributions policy contained in Appendix 1.
  - c) the Council resolves to use the special consultative procedure to consult on the policy.
  - d) the Council adopts the statement of proposal for combined consultation with the LTP contained in Appendix 2.

### Report prepared by

Helen Gilbert  
**Policy Advisor**

Jacinta Straker  
**Manager Financial Planning and  
Performance**

### Approved for submission

Darryl Lew  
**Acting Group Manager Strategy &  
Partnerships**

Wayne Maxwell  
**Group Manager Corporate Services**

## ATTACHMENTS

- 1 Development Contributions policy – Proposed [K518948]
- 2 Summary Statement of proposal [K 544858].