

Mayor and Councillors
COUNCIL

27 NOVEMBER 2014

Meeting Status: **Public**

Purpose of Report: For Decision

DEVELOPMENT CONTRIBUTIONS POLICY

PURPOSE OF REPORT

- 1 This report enables Council to adopt a statement of proposed amendments to its Development Contribution (DC) policy.

SIGNIFICANCE OF DECISION

- 2 This decision is not significant under Council's Significance Policy.

BACKGROUND

- 3 Council must propose specific amendments to its DC policy to meet the requirements of clause 9, Schedule 1AA, of the Local Government Act 2002 (LGA).
- 4 The attached Statement of Proposal explains the proposed amendments, which must be made publicly available by 1 December 2014 to meet the s82A(2) LGA consultation requirements.
- 5 Council would normally revise its policy and advise the community of all the proposed changes at one time, usually as part of the Long Term Plan process.
- 6 Accordingly, it is proposed to implement only the statutorily required changes at this time and to undertake a full review of the policy as part of the Long Term Plan

CONSIDERATIONS

Policy Considerations

New purpose and principles for development contributions

- 7 The LGA has new sections relating to the purpose and principles of DCs. The proposed new purpose and principles for Council's policy are:

Purpose of development contributions

The purpose of development contributions is to enable Council 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.

Principles of development contributions

The following principles have been taken into account when preparing this policy:

- a) *Development contributions will only be required if the effects or cumulative effects of developments will create or have created a requirement for Council to provide or to have provided new or additional assets or assets of increased capacity.*
- b) *Development contributions are determined in a manner that is generally consistent with the capacity life of the assets for which they are intended to be used, and in a way that avoids over-recovery of costs allocated to development contribution funding.*
- c) *Cost allocations used to establish development contributions should be determined according to, and be proportional to, the persons who will benefit from the assets to be provided (including the community as a whole) as well as those who create the need for those assets.*
- d) *Development contributions will only be used—*
 - i) *for or towards the purpose of the activity or the group of activities that the contributions were required for; and*
 - ii) *for the benefit of the district or funding service area that the development contributions were required for.*
- e) *Council will make sufficient information available to demonstrate what development contributions are being used for and why they are being used.*
- f) *Development contributions should be predictable and be consistent with the methodology and schedules of this policy.*
- g) *When calculating and requiring development contributions, Council 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.*

Changed definition of community infrastructure

- 8 The new definition of community infrastructure means that only a limited range of small scale assets (community centres and halls, neighbourhood parks, public toilets) may be funded by DCs, and large community facilities intended for the benefit of (but not essential to) the whole community may no longer be funded in this way.
- 9 This definition will be applied in the revised proposed policy via the proposed programmes of works which are being developed as part of LTP 2015.
- 10 There are special rules for facilities that have already been built in anticipation of DC funding, which Council has already implemented [SP-14-1303].

- 11 The schedule of community infrastructure assets below provides for Council to continue to collect \$9,345,000 in DCs in relation to Community Infrastructure to pay the growth proportion of assets that Council has already built.

Community Infrastructure projects eligible for DCs			
<i>Component</i>	<i>Cost to Council (\$000)</i>	<i>Growth component</i>	<i>Development contribution funding (\$000)</i>
Paraparaumu library	5,600	33%	1,848
Ōtaki library	1,100	25%	275
Coastlands aquatic centre	17,300	33%	5,709
Improved civic administration building	7,565	20%	1,513
Total	31,565		9,345

Restrictions on charging development contributions for reserves where a development is not residential in nature

- 12 Council may not charge DCs for reserves where a development is non-residential in nature, or for the non-residential component of a development. (Residential developments include housing and accommodation units, which are defined as residential, being units, apartments, rooms in one or more buildings, or cabins or sites in camping grounds and holiday parks, for the purpose of providing overnight, temporary, or rental accommodation.)
- 13 Council currently funds Reserves from financial contributions under the Resource Management Act 1991 rather than from development contributions under the Local Government Act, so no changes are required at this point.

Further policy changes

- 14 Council will continue to review the rest of the DC policy to meet the requirements of the new DC legislation, and will adopt new draft schedules as part of LTP 2015 planning. Council will consider the draft policy as a whole in February 2015, for public consultation with the LTP.

Financial Considerations

- 15 Prior to this change, the community infrastructure DC per household unit equivalent (HUE) was \$4550. It will now fall to \$1677, a reduction of \$2873 per HUE.
- 16 About \$16 million of planned DC funding for community infrastructure is no longer recoverable via DCs because the projects are neither completed, nor substantially progressed. As a consequence of the legislation changes, the funding burden will most likely fall on ratepayers if Council decides to proceed with those projects.
- 17 The full financial impact of the legislative changes is still being determined, but will be apparent when Council adopts its draft LTP.

Legal Considerations

- 18 Council is obliged to amend its policy to comply with clause 9, Schedule 1AA, Local Government Act 2002 (LGA):
- New policy and principles.
 - Changed definition of community infrastructure
 - Restrictions on charging DCs for reserves in non-residential developments.

Delegation

- 19 Council has the power to make this decision.

Consultation

- 20 Council must make the attached Statement of Proposal publically available by 1 December 2014, and it will be published on Council's website. Council will open submissions on the proposal as part of its LTP consultation in 2015.
- 21 Council will also test the practicality and effects of the proposal with key stakeholders with development expertise, in order to ensure that the proposal does not have any unintended consequences for developers and ratepayers.
- 22 Council will receive submissions on its full DC policy proposal as part of its LTP consultation in 2015.

Tāngata Whenua Considerations

- 23 This policy may be considered by iwi during its public consultation phase.

Publicity Considerations

- 24 Council has further work to do on the draft policy, so the messaging will focus on the process being undertaken to develop the draft policy, and the key differences compared to the current policy.

RECOMMENDATIONS

- 25 That Council
- a) adopts the Statement of Proposal - Development Contributions policy, Nov 2014 attached to SP-14-1408, to meet the requirements of clause 9, Schedule 1AA in the Local Government Act.
 - b) notes that the revised definition of community infrastructure has been applied to the current policy, and
 - c) notes the restrictions on DC funding for reserves, and
 - d) notes that Council will need to adopt a fully revised policy proposal in February/March 2015 for consultation as part of the LTP.

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Attachments

Statement of Proposal - Development Contributions Policy, Nov 2014