



<b>R E P O R T</b>	<b>TO</b>	MAYOR AND COUNCILLORS
	<b>FROM</b>	MARK BUTTIMORE, PLANNING AND ENVIRONMENTAL SERVICES MANAGER
	<b>FILE REF</b>	390281
	<b>PORTFOLIO HOLDER</b>	MARY CARMINE
	<b>DATE</b>	20 <sup>TH</sup> FEBRUARY 2008
	<b>SUBJECT</b>	<b>DEVELOPMENT CONTRIBUTIONS – POLICY FORMULATION SECOND DRAFT DEVELOPMENT CONTRIBUTIONS POLICY</b>

RECOMMENDATION

That the report be received

1. Introduction

At its meeting of 14 February 2008, the Council received the first draft of the Hauraki District Development Contributions Policy 2008. The Council:

- a) considered a number of outstanding matters and gave direction on these;
- b) raised concerns about the way in which contributions are calculated on business developments; and
- c) noted that the development contribution amounts calculated and presented to it in the first draft of the Policy do not include interest and that the interest methodology was still being refined.

The purpose of this report is to discuss the matters above and to present the Council with the second Draft of the Development Contributions Policy for its consideration.

2. Direction given on outstanding matters

At its meeting of 14 February 2008, the Council considered and gave directions on:

- a) the way in which it should deal with possible delays between the time of granting consent and the time of taking development contributions;
- b) contributions on local reserves;
- c) contributions for first-time water and wastewater connections;

- d) contributions on lots covenanted or restricted from development.

The Council's directions are set out below and have been incorporated into the second draft of the Policy attached as Appendix 1.

An addition was also made to the Glossary of Terms in Appendix A of the draft Policy to include the definitions of some terms as given in under various statutes and the District Plan.

## 2.1 Delay between time of granting consent and taking contributions

The Council directed that where a development contribution is not paid within 30 days of the date of granting a consent or authorisation, the amount payable will be that stated in the consent or authorisation plus an additional finance charge.

The Council was concerned to ensure that the annual finance charge should not be compounded annually and directed that the finance charge will be calculated for each year or part thereof that the contribution remains unpaid from a date 30 days after the granting of consent or authorisation. The annual charge shall be calculated by multiplying the contribution amount payable, by the Council's 1-year fixed interest borrowing rate as at 1 July in each year, plus a margin of 1 per cent. The finance charge shall not be compounded annually but will be the sum of all annual finance charges calculated between the time of consent and the time of payment.

The draft Policy has been amended accordingly at Sections 2.2.7 and 3.1.7.

## 2.2 Local reserves

The Council directed that, in the absence of any local reserves acquisition programme in the LTCCP, the draft Policy should exclude, for the time being, any requirement to take development contributions. The Council noted that it can re-visit this position when the Development Contributions Policy is first reviewed.

The matter is covered under Section 2.3.5 of the draft Policy

## 2.3 Contributions for first time water and wastewater connections

The Council accepted a recommendation that, to ensure equity in the distribution of demand for additional water supply and wastewater infrastructure capacity, development contributions should be required for any existing development seeking connection to these infrastructure systems for the first time or seeking additional connections. The Council directed however, that this would not apply to any existing development which has paid a district wastewater unconnected rate in the past and is connecting to a wastewater system for the first time.

The matter is covered under Section 2.15.3 and 2.15.4 and Table 3 of the draft Policy

## 2.4 Contributions on lots covenanted or restricted from development

The Council accepted a recommendation that the Policy be drafted in a such a way that lots restricted from development by convents or other restrictions on their titles, will be regarded as generating a zero unit of demand on services and will therefore have no development contribution payable on them. It noted that in the same way, if at any time in the future those

restrictions are removed, a development contribution may be payable when such lots are further subdivided or developed.

The matter is covered under Section 2.15.5 and Table 3 of the draft Policy

### 3. Development contributions calculated on business developments

In considering the first draft Policy, the Council was particularly interested in the calculation of units of demand on business developments.

The Council is eager to ensure that the contributions levied do not act to deter or discourage the establishment of businesses in the District. The establishment of businesses in Hauraki District is important to the social and economic wellbeing of the community as indicated by the following community outcome in the LTCCP<sup>1</sup> - "Vibrant and sustainable business economies in our District."

The Council requested that worked examples be provided of a range of recent business developments in the District, to show the development contribution amounts that would have been payable under the draft Policy, had it been operative at the time.

The worked examples are set out in Appendix 2 to this report for further consideration by the Council.

### 4. Interest calculation

Since the meeting of 14 February 2008, the method for the calculation of interest has been the subject of further analysis. Interest estimates can be prepared based on the amount of outstanding (growth related) debt over time and the on-going reduction of that debt by development contributions. While these interest amounts could be factored into the development contributions, the estimates need further refinement. For example, it is expected that a portion of rates on new development will also be used to fund loan interest on growth related capital expenditure. As more development occurs in the district, that source of interest funding will increase, thus reducing the need to fund interest through the development contribution. As that interest cost would be subject to recovery partly from rates and partly from development contributions, there is the potential that the Council may well be over-recovering interest and that "double dipping" could occur. At present however, it is difficult to estimate the proportion of rates income from new development that is being used to fund loan interest on growth related capital expenditure.

The development contributions policy has been developed in the context of an adopted 2006-16 LTCCP. It is now apparent that data in the LTCCP was not prepared and is not currently presented in a form that has the development contributions policy and methodology in mind. The development contributions policy as it has developed, has raised certain information requirements, which can currently not be met. This includes the ability to identify the portion of the rates take that is directed to the recovery of interest costs on growth related capital expenditure.

The Council, at its workshop of 24 August 2007, directed that some interest component should be built into the development contribution amounts to avoid these becoming a burden to the existing community.

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<sup>1</sup> Hauraki community Plan 2006-16, Volume 1, Page 16.

In view of the issues with interest calculation set out above, however, the Council is asked to re-consider its position on interest. The Council has three options available to it as follows:

- Option 1: Remove any interest component from the development contributions calculation;
- Option 2: Include interest that has been incurred between 2002 and 2007 on debt from past capital spending in the development contribution amounts but exclude future interest on this debt and on loans to fund future capital expenditure. This option will be reviewed as part of the development of the 2009-19 LTCCP;
- Option 3: Include interest that has been incurred between 2002 and 2007 on debt from past capital spending in the development contribution amounts and include future interest on this debt and on loans to fund future capital expenditure.

The development contribution model has already been developed in a manner indicated by Option 2. This seeks to recover retrospectively from future growth, the interest incurred over the period 2002 to 2007 on capital spending already carried out in anticipation of growth. Option 1 would involve the removal of this component from the model. It is considered that under Option 1 this component of interest will never be recoverable and will fall to existing ratepayers to fund unless it is built into the development contributions amounts.

Option 3 presents the risk that incoming ratepayers, who have paid development contributions (including interest) on their new homes and businesses, will pay again for the interest component through their rates. At present it is not possible to identify separately the portion of rates income that is used to fund interest on loans for growth related capital expenditure and thus to discount this from any interest charged on development contributions. Until this information is available, the introduction of Option 3 is not favoured.

Option 2 is favoured because:

- it will ensure that the Council recovers interest already incurred in anticipation of growth from future households and businesses;
- it will be subject to review as part of the 2009-19 LTCCP process and so reduce any risk to Council of significant under-recovery of interest.

The recommendation to the Council is to adopt Option 2 to include interest in the development contribution amounts on past capital spending but to exclude from them a future interest component on loans for growth related capital expenditure until the review of the development contributions policy as part of the 2009-19 LTCCP process, when the Council will reconsider this matter.

The draft Policy attached as **Appendix 1** to this report has been amended in accordance with Option 2. All changes to the policy since the last workshop are underlined.

## 5. Summary

Pending the Council's direction on the matter of development contributions on business development and acceptance of the recommendation on interest, it will be possible to complete preparation of the draft Hauraki District Development Contributions Policy 2008 and accompanying Model for presentation to the Council at its meeting of 12 March 2008. At that meeting, approval of the Council will be sought to notify the draft Policy. The notification of the draft Policy, under the Special Consultative Procedures of the LGA will continue through March and April 2008.

## RECOMMENDATION

- 1) Council receive the second DRAFT Hauraki District Development Contributions Policy 2008 for consideration with the intention of adopting the draft policy at its meeting of 12 March 2008, for notification under Section 83 of the Local Government Act 2002.
- 2) That the Council adopt a recommendation to exclude, from the development contribution amounts, a future interest component on loans for growth related capital expenditure until the review of the development contributions policy as part of the 2009-19 LTCCP process, when it will reconsider this matter.
- 3) That the Council provide a direction on the amounts of development contributions payable on business developments.

Mark Buttimore  
Manager: Planning and Environmental Services

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## **APPENDIX 1 – SECOND DRAFT DEVELOPMENT CONTRIBUTIONS POLICY**

### **HAURAKI DISTRICT DEVELOPMENT CONTRIBUTIONS POLICY – 2007-2017**

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## HAURAKI DISTRICT DEVELOPMENT CONTRIBUTIONS POLICY – 2007-2017

### 1.0 Introduction

### 1.1 Objective

The objective of this Policy is to provide predictability and certainty about the funding required to meet the increased demand for community facilities resulting from growth and new development in the Hauraki District by enabling the Council to require the payment of development contributions.

### 1.2 Statutory context

- 1.2.1 This policy on development contributions is prepared under Section 102(4)(d) of the Local Government Act 2002, (“the Act”).
- 1.2.2 This policy is incorporated by amendment into the Hauraki Community Plan 2006-2016 (“the LTCCP”) until such time as the LTCCP is comprehensively reviewed. (To be reviewed following discussions with Audit)
- 1.2.3 The Council, in addition to determining matters of content in this Policy, has determined:
- that the decision to include the Development Contributions Policy in the LTCCP 2006-2016 is a significant decision;
  - that it believes it has met the decision-making and consultation requirements of the Act to the extent required.

### 1.3 Effect of the policy

- 1.3.1 The effect of this policy is to require the payment of development contributions where:
- “*development*” as defined by the Act, occurs;

- the effect of that development is to require new or additional assets or assets of increased capacity and as a consequence the Council incurs capital expenditure to provide appropriately for reserves, network infrastructure or *community infrastructure*; and
- that capital expenditure will not be otherwise funded or provided for.

### 1.4 Approach to growth and development

- 1.4.1 The approach of the Council to growth and associated new development is one that:
- encourages and welcomes growth;
  - ensures controlled and managed growth accompanied by services that can cope;
  - is precautionary in nature in areas with rural production potential or environmental sensitivity;
  - is proactive in nature in appropriate areas.
- 1.4.2 In spite of a relatively small population increase in the Hauraki District between 2001 and 2006, residential and business growth is proceeding steadily as evidenced by growth in the number of rating units over this period.
- 1.4.3 This growth must be accompanied by the timely provision of community facilities, the funding of which should not be a burden on the existing community as a whole.
- 1.4.4 The Council will use this Policy to fund that part of total capital expenditure associated with growth and development.

Terms used in this Policy shown in *italics* are defined in **Appendix A**.

## 2.0 DEVELOPMENT CONTRIBUTIONS POLICY

The Council has considered all matters it is required to consider under the Act when making a development contributions policy. The policies resulting from these considerations are set out in this section.

### 2.1 Requirement to pay development contributions

2.1.1 A development contribution shall be payable when development is carried out, the effect of which is to require new or additional assets or assets of increased capacity and as a consequence the Council incurs capital expenditure to provide appropriately for those assets and that capital expenditure is not otherwise funded or provided for.

2.1.2 Development may occur when:

- (a) additional *lots* are created by subdivision, including the subdivision or cross lease of existing *lots*;
- (b) additional dwellings are built on *lots*;
- (c) the area of business activity is increased on business *lots*;
- (d) the area of any other activity such as schools, churches, hospitals or clubs is increased;
- (e) service connections are made to infrastructure networks.

2.1.3 In such cases, in accordance with Section 198 of the Act, the Council can require a development contribution of money or land or both, to be made by the grantee or the owner of land subject to the following consents or authorisations, upon the granting of such consents and authorisations, those being:

- (a) a resource consent under the Resource Management Act 1991;
- (c) a building consent under the Building Act 1991;
- (d) an authorisation for a service connection.

2.1.4 In terms of this Policy, development contributions will be sought to meet the growth related component of capital expenditure on the following activities;

- a) Roading;
- b) Wastewater treatment;
- c) Water supply;

- d) Stormwater management;
- e) Land drainage;
- f) Solid waste management;
- g) *District parks*;
- h) *Community infrastructure* including but not limited to halls, swimming pools, public toilets, harbour facilities, boat ramps and cemeteries; and
- i) Libraries.

### 2.2 Timing of payments

2.2.1 A development contribution is payable at the time the Council grants:

- (a) a resource consent for subdivision or development;
- (b) a building consent;
- (c) an authorisation for service connection.

2.2.2 However, subject to the provisions in **Sections 2.2.6** and **2.2.7**, the Council shall accept payment of a development contribution at a time later than the time of granting or authorisation as follows:

- (a) in the case of a resource consent, before the activity commences;
- (b) in the case of a subdivision consent, before a Section 224 completion certificate is issued;
- (c) in the case of a building consent, when the Council becomes aware that building work has commenced; and
- (d) in the case of a service connection, before the service connection is made.

2.2.3 The Council is aware that delays may occur between the time at which consent is granted (and a development contribution is calculated) and the date upon which payment of that contribution is made or the date at which Council may enforce payment under section 208 of the LGA. It recognises that some provision for interest on borrowings to provide additional capacity in assets to accommodate growth, is included in the development contribution amounts to fund Council borrowing.

2.2.4 However, in calculating development contributions, the Council has assumed that contribution payments will be made at the time

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of granting consent or authorisation for development in accordance with Section 198 of the Act.

2.2.5 Where the payment of contributions is delayed, the Council expects to incur additional ~~interest-finance~~ costs and it considers that these should not be a burden on the existing community. It considers that it has committed a portion of asset capacity to the holder of the consent or authorisation and that any costs of holding that asset capacity over time should fall to the holder and not to the existing community.

2.2.6 Therefore, where a development contribution is not paid within 30 days of the date of granting a consent or authorisation, the amount payable shall be that stated in the consent or authorisation, plus an additional finance charge.

2.2.7 The finance charge shall be calculated for each year or part thereof that the contribution remains unpaid from a date 30 days after the granting of consent or authorisation. The annual charge shall be calculated by multiplying the contribution amount payable by the Council's 1-year fixed interest borrowing rate as at 1 July in each year, plus a margin of 1 per cent. The finance charge shall not be compounded annually but will be the sum of all annual finance charges calculated between the time of consent and the time of payment, at the Council's 1-year fixed interest borrowing rate as at 1 July in any year, plus a margin of 1 per cent compounded and it shall be charged from a date 30 days after the granting of consent or authorisation on any outstanding contribution amount.

## 2.3 Reserves

2.3.1 Pursuant to Section 199(1)(a) of the Act, the Council can require a development contribution for reserves. Under Section 199(1)(c), it may also require a development contribution for *community infrastructure*, which by definition may include the land upon which it provides public amenities.

2.3.2 The Council intends to include the cost of identified parcels of land that it has purchased or intends to purchase for parks in the calculation of the *district parks* development contribution.

2.3.3 The Council currently has no acquisition and development programme for small reserves serving local neighbourhoods and

generally relies on the provision of these reserves by developers as conditions of resource consent.

2.3.4 The Council is aware, under Sections 199(1) and 200(1) of the Act, that where it has not incurred or does not intend to incur expenditure to acquire or improve local neighbourhood reserves, or they are being funded by another party, then no development contribution should be payable for such reserves.

2.3.5 Until the Council has adopted an acquisition and development programme for local reserves, it will not require a reserves development contribution under this Policy and will continue to require the provision of such reserves in residential developments under the rules of the Hauraki District Plan. ~~The Council will reconsider its position on development contributions for local reserves when this Policy is reviewed.~~

## 2.4 Limitations on contributions

2.4.1 While the Council is able to seek both development contributions for infrastructure under the Local Government Act 2002 and financial contributions under the Resource Management Act 1991, (RMA), Section 200 of the Local Government Act 2002 prevents the Council from requiring a development contribution where it has imposed a contribution requirement on the same development under the RMA or where developers or other parties fund the same infrastructure.

2.4.2 **Although under the Hauraki District Plan, the Council may impose a *financial contribution* as a condition of resource consent it shall in preference, take development contributions under this Policy on subdivisions and development. The Council carried out an analysis under Section 77(1)(b) of the Act to determine its preference for requiring development contributions.**

2.4.3 Nothing in this Policy will diminish from any requirements under the Hauraki District Plan, (such as landscaping conditions and parking requirements) which impose works or financial contributions to avoid, remedy or mitigate the adverse effects of any development on the environment.

2.4.4 Nothing in this Policy, including the amounts of development contribution payable in **Table 1**, will diminish from any other legal requirement to make a payment for community facilities other

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than a development contribution, including connection fees or any other fee required to be paid by agreement with the Council.

## 2.5 Limitations on costs eligible for inclusion in development contributions

2.5.1 In calculating development contributions under this policy, the contributions shall not include the value of any project or work or part of any project or work required for:

- (a) Rehabilitating or renewing an existing asset; or
- (b) Operating and maintaining an existing asset.

2.5.2 In accordance with Section 200(1) of the Act, no development contribution calculated under this Policy shall include the value of any funding obtained from third parties, external agencies or other funding sources in the form of grants, subsidies or works. This limitation shall not include the value of works provided by a developer on behalf of the Council and used as a credit against contributions normally payable, which the Council may seek to recover from other developers in contributions.

2.5.3 The Council may require development contributions where it has not incurred capital expenditure but has provided a credit against development contributions payable by any person where that person has incurred capital expenditure on behalf of the Council, which provides additional capacity to serve further development under **Section 3.5**.

2.5.4 The value of any subsidy or grant toward the value of any project or work shall be deducted prior to the allocation for funding of the balance portion project cost between development contributions and other sources of Council funding.

## 2.6 Vested assets / local works

2.6.1 No expenditure on works or assets to avoid, remedy or mitigate the adverse effects of any development on the environment, such as roading, wastewater, water supply, stormwater and reserve works and assets (even where this may at some stage vest in the Council) shall be included in the calculation of development contributions under this Policy.

2.6.2 The value of assets vested or expenditure made by a developer, pursuant to a requirement under the Resource Management Act 1991, shall not be used to offset development contributions payable on development unless all or a portion of such assets or expenditure can be shown to avoid or reduce the need for the Council to incur costs providing an asset that is included in its capital works programme, for which development contributions are sought.

2.6.3 The value of assets vested or expenditure made voluntarily by a developer, to enhance a development shall not be used to offset development contributions payable on development.

## 2.7 Past surplus capacity provided

2.7.1 In accordance with Section 199(2) of the Act, development contributions may be required to be used to fund capital expenditure already incurred by the Council in anticipation of development prior to the first adoption of this Policy.

2.7.2 The Council has in recent years incurred expenditure to undertake works or acquire land in anticipation of development. The Council will seek to recover this expenditure from development contributions yet to be made. The Council may include the value of *past surplus capacity* in its calculation of development contributions.

## 2.8 Service standards

2.8.1 There is no requirement under this Policy for new development to be serviced above the *service standard*.

2.8.2 Where new developments are serviced to levels above the *service standard* and the Council is required to fund any portion of such works that will improve the levels of service to existing communities, it shall not be required to fund more than is required to meet *the service standard*.

2.8.3 The Council aims over time to raise the service levels in existing communities where this is below the *service standard*.

2.8.4 The Council may vary the *service standards* normally set for a project where the *service standard* may not be immediately attainable or economically efficient.

**2.9 Cumulative and network effects**

2.9.1 In accordance with Section 199(3) of the Act, development contributions may be required under this Policy, where the effect of a development may, in combination with other developments, have a cumulative effect including the cumulative effects of developments on network infrastructure.

**2.10 Appropriate sources of funding**

2.10.1 The Council incurs capital works expenditure in order to:

- (a) provide additional capacity in assets to cater for new development;
- (b) improve the level of service to existing households and businesses;
- (c) meet environmental and other legislative requirements; and
- (d) renew assets to extend their service life.

2.10.2 Section 101(3)(a) of the Act states that the funding needs to meet these expenditure requirements must be met from sources that the Council determines to be appropriate, following a consideration, in relation to each activity, of a number of matters.

2.10.3 The Council has had regard to and made the following determinations under each activity in relation to the matters set out under Section 101(3)(a)(i) to (v) of the Act:

- a) That development contributions are an appropriate source of funding for providing additional capacity in assets for each of the activities listed in **Section 2.1.4(a) to (i)**.
- b) That capital works undertaken as a result of the need to provide additional asset capacity for new development and having no benefit to existing households and ratepayers, be appropriately funded by development contributions. The Council will classify these as *additional capacity projects (AC projects)* and ensure they are funded accordingly.
- c) While existing households and businesses are considered to benefit from *AC projects*, intended to service new development, it is a principle of this Policy that, where existing households and businesses are:

- i. already serviced to the *service standard*;
- ii. their assets have remaining service life equivalent to that offered by the *AC projects*;  
and
- iii. they are not part of the cause of the work;

they shall not contribute toward its cost through rates or other sources of funding.

- d) That capital works undertaken as a result of the need for improving the levels of service to existing households and businesses and having no benefit to new development, be appropriately funded by sources *other than* development contributions, such as rates and depreciation reserves. The Council will classify these as *improved level of service projects (ILOS projects)* and ensure they are funded accordingly.
- e) That, for any capital works providing both additional asset capacity *and* improved level of service, the portion of expenditure incurred on improving levels of service to existing households and businesses, will be excluded from development contribution amounts and funded from appropriate sources such as rates and depreciation reserves. The funding from these sources shall not however exceed an amount that would have been incurred to correct service level deficiencies. The Council will classify these as *combined projects (AC/ILOS projects)* and will allocate the costs of such projects among sources of funding as set out in **Section 2.12**.
- f) That, development contributions for particular capital works be appropriately sourced according to the extent (including the cumulative extent) to which new development contributes to the need for and benefits from the activity. On this basis, the Council has determined areas of benefit (*catchments*) for each activity as set out in **Section 2.11**. The Council has also excluded business development from making contributions toward *district parks, libraries and community infrastructure* because it considers that business brings benefits to the community but creates little additional demand on these services.
- g) That the value of surplus capacity in any asset remaining at the end of the 10-year contributions calculation period

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that will benefit future development occurring after that period, shall be funded more appropriately by future development. The Council will exclude the value of such remaining surplus capacity at the end of the calculation period from the development contribution calculation as set out in Section 2.13.

- 2.10.4 Section 101(3)(b) of the Act states that the funding needs to meet expenditure requirements must be met from sources that the local authority determines to be appropriate, following a consideration, of the *overall impact* of any allocation of liability for revenue on current and future community well-being.

2.10.5 The Council has had regard to Section 101(3)(b) and made the following determinations:

- a) That it does not wish to discourage new development and will use methodology in this Policy to ensure that incoming households and businesses occupying new development, in the 10-year LTCCP period, do not fund:
- benefits to existing households and businesses through development contributions;
  - the cost of *remaining surplus capacity* in assets at the end of the 10-year LTCCP period that will benefit future households and businesses.
- b) That it does not wish to burden current households and businesses by making them fund additional capacity in capital assets that will benefit new and future ratepayers, and will use methodology to ensure this does not occur.

## 2.11 Areas of benefit (Catchments)

- 2.11.1 Following its considerations under Section 101(3) of the Act, the Council considers that development contributions should be required from new development on an area of benefit or *catchment* basis.
- 2.11.2 A *catchment* is an area within which growth and development is occurring, which is likely either solely or cumulatively, to give rise to the need for or benefit from, particular works or groups of works.

- 2.11.3 This Policy uses district-wide *catchments* for the recovery of development contributions for projects that occur as a result of the growth across the whole district. District-wide *catchments* are used for the activities of roading, solid waste management, *district parks*, libraries and *community infrastructure*.

- 2.11.4 This Policy uses single district-wide *catchments* for each of the wastewater treatment, water supply and stormwater activities. The Council considers that single district-wide *catchments* are justified because of the common level of service offered to those connecting to each network, wherever they are located in the district. Development contributions will however be payable only where the service is available and in the case of water supply and wastewater treatment, only to those new households, businesses and other developments connecting to the networks concerned.

- 2.11.5 This Policy uses a single land drainage *catchment*, comprising the Western Plains, Eastern Plains and Rural Paeroa Land Drainage Districts described in the LTCCP<sup>2</sup>. The Council considers that a single land drainage *catchment* for land drainage contributions is justified because of the common level of service being offered in each land drainage district. Development contributions for land drainage will not be payable by households, businesses and other activities locating in any part of the district outside the single land drainage *catchment*.

- 2.11.6 The catchments used in this policy are summarised in **Appendix D**.

## 2.12 Principles of cost allocation

- 2.12.1 The cost of any *combined project (AC/ILOS project)* or work identified in the LTCCP shall, after deductions for subsidies and other sources of funding, be allocated between:
- (a) The costs for improving levels of service to existing households and businesses, by bringing assets up to the *service standard* and/or by providing additional service life. to be expressed as the *ILOS Cost*, and

<sup>2</sup> Hauraki Community Plan 2006-2016, Page 137

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- (b) The costs for providing additional capacity to service the development of new households and businesses, to be expressed as the *AC Cost*.
- 2.12.2 The Council will allocate project cost between *ILOS Costs* and *AC Costs*, using in the manner described in **Section 5.0 – Procedures for cost allocation**.
- 2.12.3 The methodology used is a Modified Unit of Demand Approach to the cost allocation of *combined projects* using an *ILOS Cost* calculation, using the *replacement cost to service standard (RCSS)* and *optimised depreciated replacement cost (ODRC)* of assets currently serving existing households and businesses to determine the level of service deficiency.
- 2.12.4 This methodology incorporates the principle that the calculated *ILOS Cost* shall not exceed the *RCSS* of the existing asset serving existing households and businesses.

### **2.13 Development contributions calculation period**

- 2.13.1 The Council has considered the period over which the benefits of capital expenditure for new development are expected to occur. The Council considers that capital expenditure on infrastructure during the 10-year LTCCP period, should be recovered over the full take-up period of each asset, from all development that caused that expenditure or will benefit from capacity it provides, including development occurring after the 10-year LTCCP period.
- 2.13.2 It has determined that:
  - a) new development occurring in the 10-year LTCCP period will contribute only to that proportion of additional asset capacity that it is expected to consume;
  - b) future development occurring after the 10-year LTCCP period will contribute toward the *remaining surplus capacity* in assets at the end of that period.
- 2.13.3 In calculating the development contributions payable by new development for each activity type, the Council will:

- a) include the value of any *past surplus capacity* in assets provided after 1 July 2001, (See **Section 2.7**), that is expected to be consumed by new development;
- b) include the value of capacity in assets to be provided in the 10-year LTCCP period, that is expected to be consumed by new development; and
- c) exclude the value of *remaining surplus capacity* in assets at the end of the 10-year LTCCP period, which is likely to be consumed by future development.

- 2.13.4 Recovery of the whole of a project's cost from only those households and businesses establishing in the 10-year LTCCP period, may place an unfair burden on them. Households and businesses developing after the period will arrive to a fully paid up asset with spare capacity for their developments.
- 2.13.5 This Policy therefore, uses a *development contributions calculation period* extending from 1 July 2001 (to include *past surplus capacity*) to 30 June 2028 – 20 years after the adoption of the policy to ensure more equitable attribution under Schedule 13 of the Act.
- 2.13.6 Notwithstanding this, the value of remaining surplus capacity in assets at the end of the 10-year LTCCP period is not to be included in the calculation of development contributions as provided for in this policy.

### **2.14 Financial assumptions**

- 2.14.1 Development contributions will be applied to capital expenditure only, in accordance with Section 204(1) of the Act. The funding of operating expenses will be in accordance with the Council's Revenue and Financing Policy.
- 2.14.2 The cost of any work or any part of any capital work deemed to be for replacement or renewal of an asset and the cost of any new works required to improve the levels of service to existing households and businesses, will not be funded from development contributions. The funding of replacement or renewal costs and any costs to raise levels of service, will be in accordance with the Council's Revenue and Financing Policy.
- 2.14.3 In cases where funds have previously been collected through financial or development contributions, the Council will offset the

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value of these contributions against proposed expenditure on the same service type in the same service *catchment* for which it was collected, wherever possible. However, the Council may apply funds collected to a larger service *catchment* to achieve administrative efficiency.

- 2.14.4 The project cost amounts used in calculating development contributions under this Policy are those in the in the Council's LTCCP financial statements, which include adjustments for inflation and there will be no provisions in this Policy for an annual increase for inflation.
- 2.14.6 Interest already incurred in the period 2002 to 2007 on borrowings to fund past capital works resulting from new growth will be included in the calculation of development contributions under this Policy. Interest yet to be incurred on outstanding growth related debt in future will not be included in the development contribution for the reasons stated in Section 7.0 and will initially be recovered through rates.
- 2.14.7 The Council will not introduce an adjustment to the development contribution amounts, to take account of any possible long term cross subsidy from rates paid by new ratepayers to fund part of the interest on borrowings for works to deal with any service level deficiencies being experienced by existing ratepayers or including *depreciation and operating costs* on existing ratepayers assets.
- 2.14.8 Depreciation and operating costs on assets provided in anticipation of new development will be funded through rates on both existing and new development as an operating expense and not capitalised and collected through development contributions. While the Council accepts that it may be possible for a cross subsidy to occur by which the existing ratepayer body subsidises such costs, Section 204(1)(a) of the Act precludes their funding by development contributions. No adjustment will be included therefore in the calculation of development contributions to offset any possible cross-subsidy between existing and new ratepayers to meet these costs.

### 2.15 Policy on existing lots or development

- 2.15.1 The Council will not seek development contributions retrospectively for *lots* or development already *legally established* at the date of granting consent, other than as required in **Sections 2.15.2, 2.15.3 and 2.15.5** below.
- 2.15.2 Section 2.15.1 shall not apply to any *lot* or development for which a contribution has been required and has not yet been paid.
- 2.15.3 The Council may require a development contribution to be paid for any existing *legally established lot* or development, which is to be connected for the first time or seeks an additional connection/s to either the water supply network or the wastewater network, as the case may be, where no development contribution or other such payment for these services can be shown to have been previously made.
- 2.15.4 Section 2.15.3 above will not apply to wastewater contributions for an existing lot or development for which a district unconnected rate for wastewater has been paid in the past and no development contribution shall be payable on such lots or development when they are connected to a wastewater treatment network for the first time.
- 2.15.5 The Council may require a development contribution to be paid for any existing *legally established lot*, that has previously been prevented from being developed by any open space covenant or by any other restriction registered against the title of the *lot* and that covenant or restriction has been removed.
- 2.15.6 Subject to **Sections 2.15.2, 2.15.3 and 2.15.5**, **Section 2.15.1** shall apply to any *lot* or development that:
- was already *legally established* at the date on which this Policy first became operative, on 1 July 2008;
  - has been *legally established* since the date on which this Policy first became operative and for which a development contribution has been paid;
  - is not yet established but for which a development contribution has been paid (and not refunded).
- 2.15.7 *Legally established* development includes buildings and structures demolished since the first introduction of this policy on

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1 July 2008, or those demolished up to three years prior to that date.

## **2.16 Network infrastructure**

- 2.16.1 The Council acknowledges that under Section 197 of the Act, the term *development* excludes the pipes and lines of any network utility operator. The Council will not seek development contributions for the installation or expansion of network infrastructure, including the pipes, lines, roads, water supply, wastewater and stormwater networks by network utility operators.

## **2.17 Policy on remissions, postponements and refunds of development contributions**

- 2.17.1 In accordance with Section 202(1)(c) of the Act, this Policy includes provisions that will enable the Council to consider remissions, postponements, reductions and waivers to the development contributions. (See **Section 3.6**)
- 2.17.2 The Council will refund development contributions in accordance with the requirements of Sections 209 and 210 of the Act.

## **2.18 Best available knowledge**

- 2.18.1 The capital expenditure amounts used in this Policy, for the calculation of development contributions for all activity types, are in keeping with the LTCCP and are based on the best available knowledge of projects, their costs, their staging, timing and other related information, at the time of adoption of this Policy.
- 2.18.2 The absence of any particular information on any asset or work at any given time, shall not be deemed to be reason for not including that asset or work for consideration in the calculation of a development contribution, provided that all the requirements of this Policy, on determining any development contribution payable are complied with.

## **2.19 Development contribution schedule**

- 2.19.1 In accordance with Section 201 and Section 202 of the Act, **Table 1** shows the schedule of development contributions payable for each community facility type in each part the district. The amounts exclude GST.

## **2.20 Summary of funding sources**

- 2.20.1 In accordance with Section 106(2) of the Act **Table 2** summarises capital expenditure in the LTCCP that the Council expects to incur to meet the increased demand for community facilities resulting from growth and the proportion of that expenditure to be funded from various sources including development contributions.

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**TABLE 1 - SCHEDULE OF DEVELOPMENT CONTRIBUTIONS**

	Land drainage	Stormwater	Wastewater treatment	Water supply	Roading	District parks	Community infrastructure	Libraries	Solid waste	TOTAL
<b>Urban</b>										
Paeroa	\$ -	\$ 880	\$ 1,902	\$ 636	\$ 2,623	\$ 209	\$ 207	\$ 67	\$ 11	\$ 6,534
Waihi	\$ -	\$ 880	\$ 1,902	\$ 636	\$ 2,623	\$ 209	\$ 207	\$ 67	\$ 11	\$ 6,534
Ngatea	\$ 619	\$ 880	\$ 1,902	\$ 636	\$ 2,623	\$ 209	\$ 207	\$ 67	\$ 11	\$ 7,153
Kerepehi	\$ 619	\$ 880	\$ 1,902	\$ 636	\$ 2,623	\$ 209	\$ 207	\$ 67	\$ 11	\$ 7,153
Turua	\$ 619	\$ 880	\$ 1,902	\$ 636	\$ 2,623	\$ 209	\$ 207	\$ 67	\$ 11	\$ 7,153
Whiritoa	\$ -	\$ 880	\$ 1,902	\$ -	\$ 2,623	\$ 209	\$ 207	\$ 67	\$ 11	\$ 5,898
Waikino	\$ -	\$ 880	\$ -	\$ 636	\$ 2,623	\$ 209	\$ 207	\$ 67	\$ 11	\$ 4,633
Waitakaruru	\$ 619	\$ -	\$ -	\$ 636	\$ 2,623	\$ 209	\$ 207	\$ 67	\$ 11	\$ 4,371
Kaimanawa	\$ -	\$ -	\$ -	\$ 636	\$ 2,623	\$ 209	\$ 207	\$ 67	\$ 11	\$ 3,753
Karangahake	\$ -	\$ -	\$ -	\$ 636	\$ 2,623	\$ 209	\$ 207	\$ 67	\$ 11	\$ 3,753
Mackaytown	\$ -	\$ -	\$ -	\$ 636	\$ 2,623	\$ 209	\$ 207	\$ 67	\$ 11	\$ 3,753
Ohinimuri	\$ -	\$ -	\$ -	\$ 636	\$ 2,623	\$ 209	\$ 207	\$ 67	\$ 11	\$ 3,753
<b>Rural</b>										
Plains	\$ 619	\$ -	\$ -	\$ 636	\$ 2,623	\$ 209	\$ 207	\$ 67	\$ 11	\$ 4,371
Waihi	\$ -	\$ -	\$ -	\$ 636	\$ 2,623	\$ 209	\$ 207	\$ 67	\$ 11	\$ 3,753
Paeroa	\$ -	\$ -	\$ -	\$ 636	\$ 2,623	\$ 209	\$ 207	\$ 67	\$ 11	\$ 3,753

Note 1: These contribution amounts do not include GST

Note 2: These contribution amounts do not include local reserve contributions which may be required for residential developments pursuant to the Hauraki District Plan

Note 2: The \$0 contribution amount for Waitakaruru wastewater treatment reflects a development moratorium on new connections to the wastewater system. If new connections are to be allowed in the future, works will be required to provide additional capacity to service them and a development contribution toward such works will be calculated at the time

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**TABLE 2 - CAPITAL EXPENDITURE IDENTIFIED TO MEET INCREASED DEMAND RESULTING FROM GROWTH AND SOURCES OF FUNDING BY ACTIVITY**

	2006-16 LTCCP					SURPLUS CAPACITY			
	TOTAL CAPITAL PROJECT COSTS	DEVELOPMENT CONTRIBUTIONS (NEW)	DEVELOPMENT CONTRIBUTIONS (FUTURE)	RATES	SUBSIDIES / GRANTS	TOTAL CURRENT VALUE OF SUPPLUS CAPACITY PROJECTS	DEVELOPMENT CONTRIBUTIONS (NEW)	DEVELOPMENT CONTRIBUTIONS (FUTURE)	RATES
WATER SUPPLY	\$ 25,007,000	\$ 417,297	\$ 449,445	\$ 24,140,258	\$ -	\$ 972,476	\$ 152,505	\$ 168,544	\$ 651,427
WASTEWATER TREATMENT	\$ 5,672,000	\$ 288,550	\$ 314,553	\$ 5,068,897	\$ -	\$ 1,880,036	\$ 883,070	\$ 996,966	\$ -
STORMWATER	\$ 4,880,000	\$ 466,309	\$ 261,959	\$ 4,151,733	\$ -	\$ 222,425	\$ 105,537	\$ 116,887	\$ -
ROADING	\$ 36,686,800	\$ 1,438,470	\$ 1,831,872	\$ 16,363,147	\$ 17,053,311	\$ 2,709,342	\$ 1,275,304	\$ 1,434,038	\$ -
SOLID WASTE	\$ 147,000	\$ 11,105	\$ 13,290	\$ 122,605	\$ -	\$ -	\$ -	\$ -	\$ -
DISTRICT PARKS	\$ 1,410,000	\$ 117,434	\$ 109,433	\$ 1,183,133	\$ -	\$ 210,024	\$ 98,860	\$ 111,164	\$ -
LIBRARIES	\$ 869,000	\$ 69,188	\$ 69,169	\$ 730,643	\$ -	\$ -	\$ -	\$ -	\$ -
LAND DRAINAGE	\$ 3,183,000	\$ -	\$ -	\$ 617,000	\$ 2,566,000	\$ 407,507	\$ 189,913	\$ 217,595	\$ -
COMMUNITY FACILITIES	\$ 2,629,000	\$ 212,389	\$ 214,257	\$ 2,202,353	\$ -	\$ 4,596	\$ 2,164	\$ 2,433	\$ -
<b>TOTAL</b>	<b>\$ 80,483,800</b>	<b>\$ 3,020,742</b>	<b>\$ 3,263,979</b>	<b>\$ 54,579,768</b>	<b>\$ 19,619,311</b>	<b>\$ 6,406,406</b>	<b>\$ 2,707,353</b>	<b>\$ 3,047,627</b>	<b>\$ 651,427</b>

### 3.0 PRACTICAL APPLICATION

#### 3.1 Requirement for development contributions

##### 3.1.1 Upon granting:

- (a) a resource consent under the Resource Management Act 1991;
- (b) a building consent under the Building Act 1991;
- (c) an authorisation for a service connection;

the Council shall determine whether the activity to which the consent or authorisation relates is a “*development*” under the Act, which:

- (a) has the effect of requiring new or additional assets or assets of increased capacity (including assets which may already have been provided by the Council in anticipation of development);
- (b) as a consequence requires (or has required) the Council to incur capital expenditure to provide appropriately for those assets; and
- (c) that capital expenditure is not otherwise funded or provided for.

##### 3.1.2 Upon determining that the activity is a “*development*”, the Council may require a development contribution to be made toward community facilities associated with that development, according to the *catchments* in which the development is located, including:

- a) Roading;
- b) Wastewater treatment;
- c) Water supply;
- d) Stormwater management;
- e) Land drainage;
- f) Solid waste management;
- g) *District parks*;

- h) *Community infrastructure* including but not limited to halls, swimming pools, public toilets, harbour facilities, boat ramps and cemeteries; and
- i) Libraries.

##### 3.1.3 The Council shall calculate the development contribution payable at the time of granting the consent or authorisation.

##### 3.1.4 The grantee of consent or authorisation may pay the development contribution calculated, at the time of granting of the consent or authorisation.

##### 3.1.5 Subject to the provisions of **Sections 3.1.6, 3.1.7** and **3.1.8**, the Council will accept payment of a development contribution at a time later than the time of granting the consent or authorisation as follows:

- (a) in the case of a resource consent for land use, before the activity commences;
- (b) in the case of a subdivision consent, before a Section 224 completion certificate is issued;
- (c) in the case of a building consent, at the time of final inspection or upon issue of a code compliance certificate or a certificate for public use, as the case may be; and
- (d) in the case of a service connection, before the service connection is made.

##### 3.1.6 Where a development contribution is not paid within 30 days of the date of granting a consent or authorisation, the amount payable shall be that stated in the consent or authorisation plus an additional finance charge.

##### 3.1.7 The finance charge shall be calculated for each year or part thereof that the contribution remains unpaid from a date 30 days after the granting of consent or authorisation. The annual charge shall be calculated by multiplying the contribution amount payable by the Council’s 1-year fixed interest borrowing rate as at 1 July in each year, plus a margin of 1 per cent. The finance charge shall not be compounded annually but will be the sum of all annual finance charges calculated between the time of consent and the time of payment. at the Council’s 1-year fixed interest borrowing rate as at 1 July in any year, plus a margin of 1 per cent compounded and it shall be charged from a date 30

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~~days after the granting of consent or authorisation on any outstanding contribution amount.~~

**3.1.8 In the case of a resource consent for land use, where a building consent is required for the activity to commence and has not yet been granted, the Council will only require payment of the contribution when the building consent is granted.**

3.1.9 No consented activity or building work shall commence prior to the payment of the development contribution and where such activity work has commenced prior to such payment, the Council shall require this to cease until payment has been made.

3.1.10 No development contribution shall be payable for local neighbourhood reserves under this Policy but this shall not diminish from any requirement for the provision of such reserves in residential developments pursuant to a consent granted under the rules of the Hauraki District Plan.

3.1.11 No development contribution shall be payable for any business development, for *district parks*, libraries and *community infrastructure*.

### 3.2 Amount of total development contribution

3.2.1 The total amount of development contribution payable when granting any consent or authorisation for subdivision or development, shall be the sum of the development contribution payable for each type of community facility, calculated as:

$$[(a) \times [\Sigma(n) - \Sigma(x)]] + \text{GST}$$

Where:

(a) = the applicable development contribution per *unit of demand* determined from **Table 1** and the *catchment* for each type of community facility in which the subdivision or development lies.

Σ = the sum of the terms inside the brackets.

(n) = for each *lot* at the completion of the consent or authorisation application, the total *lot units of demand* OR the total *activity units of demand*, determined by **Table 3**, whichever is the greater.

(x) = for each *lot* in existence (or for which a Section 224 RMA 1991 certificate has been issued), prior to the date of the consent or authorisation application, the total *lot units of demand* OR the total *activity units of demand* for the existing development, determined by **Table 3**, whichever is the greater.

### 3.3 Determination of Units of Demand

3.3.1 In accordance with Schedule 13 of the Act, the additional capacity (*AC cost*) component of capital expenditure associated with new development in any service *catchment* will be allocated equally between the numbers of new *units of demand* expected to occur in that *catchment* during the *development contributions calculation period*.

3.3.2 The Council has determined that *units of demand* generated by different land use types shall be those reflected in **Table 3**.

3.3.3 Demand for services may be necessitated by the creation of new *lots (lot units of demand)* that are required to be serviced in advance of their occupation. Demand for services may also be generated by the use and development of *lots, (activity units of demand)* including the intensification or expansion of activity on those *lots*.

<b>Table 3</b>	
<b>Units of demand generated by subdivision and development</b>	
<b>Lot unit of demand</b>	<b>Units of demand</b>
One residential or rural <i>lot</i>	1.0
One mixed use residential/ commercial <i>lot</i>	1.0
One commercial or industrial <i>lot</i> with an area of less than 1000m <sup>2</sup> , for all activity types other than <i>district parks, community infrastructure and libraries</i>	<i>Lot area divided by 1000m<sup>2</sup></i>
One commercial or industrial <i>lot</i> with an area of 1000m <sup>2</sup> or more, for all activity types other	1.0

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than <i>district parks, community infrastructure and libraries</i>		Any hotel room, motel room or other tourist accommodation unit, or retirement unit – of one or less <i>bedrooms</i> per unit)	0.5
One commercial or industrial <i>lot</i> for the <i>district parks, community infrastructure and libraries only</i>	0	Any hotel room, motel room or other tourist accommodation room or any room in a retirement unit or school, normally accommodating more than 3 persons	The number of persons accommodated in the room divided by 6
For the purposes of calculating water supply and wastewater development contributions ONLY, any <u>existing</u> <i>legally established lot</i> not connected to either the water supply network or the wastewater network as the case may be. This excludes, for the purposes of the wastewater contribution only, any <i>lot</i> for which a district unconnected rate has been charged in the past which shall be deemed to have an <i>existing lot unit of demand</i> of 1.0)	0	Any development including <i>dwelling units</i> , hotel rooms, motel rooms or other tourist accommodation units, or retirement units situated on multiple storeys with or without commercial or industrial activity	For stormwater ONLY, the <i>impervious area</i> multiplied by the applicable <i>unit of demand</i> factor in this table
For the purposes of calculating water supply and wastewater development contributions ONLY, any <u>proposed</u> <i>lot</i> not to be connected to either the water supply network or the wastewater network as the case may be.	0	Other activity (Activity not specified elsewhere in this table)	For roading, water supply, sewerage, stormwater and solid waste infrastructure only, the <i>gross floor area</i> of the activity divided by 250m <sup>2</sup> (or in the case of calculating a contribution for stormwater, the <i>impervious area</i> ) multiplied by the applicable <i>unit of demand</i> factor in this table
One <i>serviced site</i>	0.5		
One <i>lot</i> : <ul style="list-style-type: none"> <li>▪ wholly covenanted in perpetuity as provided for by Section 22 of the Queen Elizabeth the Second National Trust Act 1977;</li> <li>▪ the title of which prevents any form of development on the <i>lot</i></li> </ul>	0	For the purposes of calculating water supply and wastewater development contributions ONLY, any <u>existing</u> <i>legally established</i> development not connected to either the water supply network or the wastewater network as the case may be. This excludes, for the purposes of the wastewater contribution only, any development for which a district unconnected rate has been charged in the past which shall be deemed to have an <i>existing activity unit of demand</i> calculated in accordance with this table)	0
<b>Activity unit of demand</b>	<b>Units of demand</b>		
One <i>dwelling unit</i> (including any hotel, motel or other tourist accommodation unit, or retirement unit – of two or more <i>bedrooms</i> per unit)	1.0		
One commercial or industrial unit including the commercial part of any activity but excluding any part that comprises hotel rooms, motel rooms or other accommodation units, for all activity types other than <i>district parks, community infrastructure and libraries</i>	The <i>gross business area</i> on the <i>lot</i> (or in the case of calculating contribution for stormwater, the <i>impervious area</i> ) multiplied by the applicable <i>unit of demand</i> factors in this table		
One commercial or industrial unit including the commercial part of any activity but excluding any part that comprises hotel rooms, motel rooms or other accommodation units, for <i>district parks, community infrastructure and libraries</i>	0		
		For the purposes of calculating water supply and wastewater development contributions ONLY, any <u>proposed</u> development not to be connected to either the water supply network or the wastewater network as the case may be	0
		Network infrastructure, including pipes, lines and installations, roads, water supply, wastewater and stormwater collection and management systems	0
<b>Unit of Demand Factors</b>			

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Roading	0.0020 per m <sup>2</sup> of <i>gross business area</i> on the <i>lot</i> used principally for commercial or industrial purposes.
Water supply	0.0016 per m <sup>2</sup> of <i>gross business area</i> on the <i>lot</i> used principally for commercial or industrial purposes.
Sewerage	0.0016 per m <sup>2</sup> of <i>gross business area</i> on the <i>lot</i> used principally for commercial or industrial purposes.
Stormwater	0.00278 per m <sup>2</sup> of the <i>impervious area</i> of the <i>lot</i> .
Land drainage	0.00278 per m <sup>2</sup> of the <i>impervious area</i> of the <i>lot</i> .

- 3.3.4 The different *units of demand* generated by a unit of commercial or industrial activity as compared with a unit of residential activity, arise mainly from the scale of activity. This Policy uses *lot* size in the case of subdivision and *gross business area* in the case of business development as a proxy for assessing the different *units of demand* on services, likely to be generated respectively by residential and business activity.
- 3.3.5 Further, this Policy assumes that as well as the *scale of activity*, business activity has the potential to place greater demands on services as compared to residential activity, as a result of the *nature of the activity* (e.g. as a result of higher and heavier traffic volumes, higher *impervious area*). This Policy incorporates multipliers (*unit of demand* factors) that are intended to take account of the likely additional effect of business activity on service infrastructure.
- 3.3.6 The assumptions used in this Policy to derive the *unit of demand* factors for business in **Table 3** are described in **Appendix C**.

## 3.4 Information requirements

- 3.4.1 The applicant for any consent or authorisation under **Section 3.1.1(a) to (c)**, shall provide all information necessary for the Council to calculate the amount of a development contribution including, in the case of commercial or industrial development,

the *gross business area* and the *impervious area* of the development.

- 3.4.2 The applicant shall be responsible for providing proof of the legal establishment of existing *units of demand* under **Section 3.2.1**.
- 3.4.3 Existing *units of demand* may include *legally established* buildings and structures demolished since the first introduction of this policy on 1 July 2008, or those demolished up to three years prior to that date and for which a financial contribution can be shown to have been paid.

## 3.5 Credits for work done or land vested

- 3.5.1 In accordance with Section 200(1) of the Act, the Council shall apply to a development contribution calculated under **Section 3.2.1**, a credit equal to the actual and reasonable costs of works (including the value of any land to be vested) incurred by the applicant on behalf of and by agreement with the Council, which prevents the Council from having to undertake capital expenditure identified in the calculation of development contributions under this Policy.
- 3.5.2 In the event that the credit calculated under **Section 3.5.1**:
- (a) is less than or equal to the amount of development contribution otherwise payable, then the amount of the contribution shall be reduced by the amount of the credit;
  - (b) is greater than the amount of development contribution otherwise payable, then a refund will be payable by the Council upon granting any consent or authorisation.

## 3.6 Remissions, postponements and refunds of development contributions

- 3.6.1 The Council may, at the request of an applicant for consent or authorisation for development, review the contribution payable and consider whether a remission or postponement of the development contribution is appropriate, but only in the following circumstances:
- (a) where the value and nature of works or the nature of development proposed by the applicant, can be shown to

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reduce or remove the need for works or the purchase of land included by the Council in its capital expenditure programme, the cost of which was used in calculating the development contribution;

- (b) where it can be shown that the nature of the development will result in a *significant public benefit*.

3.6.2 Where the Council is satisfied that the circumstances in **Section 3.6.1(a)** or **(b)** have been shown to exist, it may require a lesser development contribution than that normally calculated.

3.6.3 The Council may, at the request of an applicant for consent or authorisation for development, in the case of development activity classified as “*Other activity*” in **Table 3**, make a special assessment of the *units of demand* calculated in **Table 3** for that activity and may require a lesser development contribution than that calculated.

3.6.4 In making a special assessment under **Section 3.6.3** the Council will consider the nature and scale of the development and its relative effects on each community facility as compared to other development types listed in **Table 3** and the *units of demand* attributed to them.

3.6.5 The Council will refund development contributions in accordance with requirements under sections 209 and 210 of the Act.

## 3.7 Procedures for review of development contributions

3.7.1 Any applicant who is required to make a development contribution at the time a consent or authorisation for development is granted, may formally request the Council to review the development contribution required.

3.7.2 Any such request shall be made in writing no later than 15 working days after the Council has advised in writing of the development contributions required, setting out the reasons for the review.

3.7.3 Prior to accepting any such request for review, the Council shall require the applicant to provide specific details of the manner in which its proposals will reduce the need for works or purchase of land proposed by the Council in its capital works programme.

3.7.4 In undertaking the review the Council or a Committee of the Council so delegated:

- (a) shall, as soon as reasonably practicable, consider the request;
- (b) may determine whether to hold a hearing for the purposes of the review and if it does so, give at least 5 working days notice to the applicant, of the date, time and place of the hearing;
- (c) may at its discretion uphold, reduce, postpone or waive the original amount of development contribution required and shall advise the person in writing of its decision within 10 working days of making that decision;
- (d) may charge such fee as determined in its annual schedule of fees, to consider the request.

## 3.8 Statement on GST

3.8.1 Any development contribution referred to in this Policy or in the accompanying Development Contributions Model and any development contribution required in the form of money, pursuant to this Policy, is exclusive of Goods and Services Tax.

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## 4.0 AUDIT

This policy shall be subject to the audit procedures under Section 94 of the Act.

## 5.0 PROCEDURES FOR COST ALLOCATION

The calculation of the separate portions of the cost of any *combined project (AC/ILOS project)* between that for improving levels of service to existing households and businesses, (*ILOS Costs*) and that for providing additional capacity to accommodate new development of households and businesses (*AC costs*), as required by Policy 3.12, shall be carried out using the following procedure.

### 5.1 Listing projects and information required

- 5.1.1 Every project in the capital works programme of the LTCCP shall be listed in the Project Allocation Schedule (PAS) of the Development Contributions Model.
- 5.1.2 Every *surplus capacity project* shall be listed in the Surplus Capacity Schedule (SCS),
- 5.1.3 Where possible, distinct stages of a project or distinct parts of a project shall be listed in the schedules as separate components and separate calculations carried out for each.
- 5.1.4 For each project in the schedules, the following information shall be provided:
- the year in which the project or component is to be carried out in the LTCCP, or in the case of each *surplus capacity project (SC project)*, the year it was completed;
  - the total project cost;
  - the amount of any subsidy or grant toward each project from any other source of funding, which shall be deducted from the total project costs to give the net project cost;
  - the *catchment* which the project will serve.

5.1.5 Each project in the PAS shall be categorised as one of the following project types:

- an *improved level of service project (ILOS project)* and the cost of the project shall be allocated to *ILOS costs* only.
- an *additional capacity for growth project (AC project)* and the cost of the project shall be allocated to *AC costs* only.
- a *combined project (AC/ILOS project)* and the cost of the project shall be allocated between *ILOS costs* and *AC costs* using the procedures in this section.

5.1.6 For each project in the PAS, the following information shall be provided:

- the expected distribution of benefits of the project between the existing community as a whole or identified parts of it or individuals;
- the period over which benefits of the project are expected to occur, determined by stating the year in which capacity take up is expected to start and the year in which the project capacity is expected to be fully consumed;
- the cause of the project;
- any supporting information or reference to information describing the reasons for the project and in the case of an *improved level of service project (ILOS project)* or *combined project (AC/ILOS project)*, the reasons for the service level deficiency (or renewal) to existing households and businesses.

5.1.7 For each *combined project (AC/ILOS project)* only, the following additional information shall be provided in the PAS:

- the *remaining service life (RSL)* of any asset being upgraded or renewed by the project at the time that asset is replaced or renewed;

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- (b) the *additional service life (ASL)* offered to existing rating units by the project;
- (c) the number of existing households and businesses stated as *rating units* that are serviced below the *service standard*;
- (d) the *optimised depreciated replacement cost (ODRC)* of the existing asset serving existing rating units, whose level of service will be improved or replaced by the *combined project*, obtained from the Council's valuation records;
- (e) the *replacement cost to service standard (RCSS)*;
- (f) the total number of additional households and businesses that the *combined project* will provide capacity for to be known as the *AC units of demand*.

5.1.8 For each project in the SCS, the following additional information shall be provided:

- (a) the total theoretical capacity of the project;
- (b) the estimated used capacity of the project.

## **5.2 Cost allocation of combined projects**

5.2.1 Using the information provided on *combined projects (AC/ILOS projects)* in the project schedules, a Modified Unit of Demand Approach shall be carried out as follows:

- (a) the *service level deficiency* being experienced by existing households and businesses is calculated as the *ODRC* divided by the *RCSS*, and expressed as a percentage;
- (b) the number of *ILOS units of demand* on the project is calculated as the number of existing *units of demand* that are serviced below the *service standard*, multiplied by the *service level deficiency* calculated in a);
- (c) the total *units of demand* on the project is the *ILOS units of demand* plus the *AC units of demand*;

- (d) the *ILOS Cost* is calculated as *ILOS units of demand* divided by total *units of demand* multiplied by net project cost;
- (e) the *ILOS Cost* shall not exceed the *RCSS*;
- (f) the *AC Cost* is calculated as the net project cost less the *ILOS Cost*.

## **5.3 AC Cost allocation between new and future units of demand**

5.3.1 Using information provided on the year in which capacity take up of a project is expected to start and the year in which the project capacity is expected to be fully consumed, the *AC cost* of the project shall be divided between new *units of demand (N)* arriving in the *catchment* in the 10-year LTCCP period and future *units of demand (F)* arriving after the end of the LTCCP period, as follows:

- (a) the *AC Cost to F* is the *AC Cost* determined in 6.2 above multiplied by the years of capacity take up after the LTCCP period divided by total years of capacity take up;
- (b) the *AC Cost to N* is the *AC Cost* less the *AC Cost to F*.

5.3.2 Only the *AC Cost to N* shall be used in the calculation of development contributions.

## **6.0 GROWTH ASSUMPTIONS**

6.1 In order to calculate the amount of new development to which the growth related portion of capital expenditure (*AC costs*) for infrastructure will be attributed, area-by-area projections of new and future *units of demand* for services in the period 2007 to 2027 are required.

6.2 The Council maintains a detailed rating database that provides the numbers of rating units for all parts of the district.

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- 6.3 The numbers of rating units provide a close correlation with numbers of *lots* in the district and the number of multiple units of activity on any *lot* where this is the case. They considered to provide a reasonably sound measure of the *units of demand* for infrastructure and services.
- 6.4 The growth projection worksheet of the Development Contributions Model, *Projections Schedule*, contains the number of rating units (*units of demand*) for each service type existing at the time of the 2006/07 rates year. Rating data is available for the whole district, the three wards of the district and each of the water supply and wastewater network areas.
- 6.5 Assumptions have been made as to the expected annual increase in the numbers of rating units and hence *units of demand* to 2017, in each of these areas, based on past trends in rating unit growth.
- 6.6 *Projections Schedule* also provides long-term estimates for future rating units (*units of demand*) after the LTCCP period to 2027, in order to ensure that any portion of remaining surplus capacity at the end of the period can be attributed to future development.
- 6.7 On the basis of decisions made by the Council on the development contribution *catchments* that will apply to each service type, *Projections Schedule* combines the projected growth of the various areas into the necessary catchments. For example, the projected growth of each of the different water supply networks are combined into the required single water supply catchment.

## 7.0 INTEREST

- 7.1 The Council has considered the inclusion of interest in the calculation of the development contribution amounts.

- 7.2 Interest estimates can be prepared based on the amount of outstanding (growth related) debt over time and the on-going reduction of that debt by development contributions.
- 7.3 While these interest estimates can be included the development contribution amounts, the Council is aware that a portion of rates on new development will also be used to fund loan interest on growth related capital expenditure. As more development occurs in the district, the amount of interest funding from that source will increase, thus reducing the portion needed to be funded through development contributions. As interest will be recovered from rates and from development contributions, there is the potential for the Council to over-recover interest with a “double dipping” situation occurring.
- 7.4 Information in the adopted LTCCP is not in a form that enables the calculation of the portion of rates that would be used to fund interest on growth related capital expenditure.
- 7.5 The Council therefore intends to exclude future interest on outstanding growth related debt from the development contribution calculation, until this information is available as part of the 2009-19 LTCCP process.
- 7.6 The Council has however, carried out projects in the past in anticipation of growth and has included a number of such projects (carried out since 2002) in the development contributions calculations. See Section 2.7. Interest on loans to fund these surplus capacity projects has already been incurred and has been funded by rates on the existing community. The Council has been unable to recover this past interest from development or financial contributions.
- 7.7 The Council intends to recover this past interest from development contributions and has included it in the development contribution calculation in the manner described in Section 3.4 of Appendix B.

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## APPENDIX A – GLOSSARY OF TERMS

“**AC cost**” means the cost for providing additional capacity to service the development of new households and businesses, to be expressed as the *AC Cost*

“**Activity unit of demand**” means the demand for a community facility generated by development activity other than subdivision.

“**Additional capacity project**” or “**AC project**” means a capital project in the LTCCP intended only to provide additional capacity to service new and future households and businesses.

“**Additional service life**” or “**ASL**” means the number of years of service at the *service standard*, in addition to the *remaining service life*, that a new asset will give existing households and businesses.

“**Allotment**” has the meaning given to it in Section 218(2) of the Resource Management Act 1991. (See DEFINITIONS below)

“**Bedroom**” means a room used for sleeping, normally accommodating no more than 3 persons.

“**Catchment**” means the whole or any part of the district, defined in this Policy, which will be served by a particular public service or infrastructure type.

“**Combined project**” or “**AC/ILOS project**” means a project in the LTCCP intended to deal with shortfalls in levels of service to existing households and businesses by bringing assets up to the *service standard* and/or by providing additional service life and to provide capacity for further growth.

“**Community infrastructure**” has the meaning given to it in Section 197 of the Local Government Act 2002 (See DEFINITIONS below) and for the purposes of this policy includes land and assets including but not limited to halls, swimming pools, public toilets, harbour facilities, boat ramps and cemeteries.

“**Development**” has the meaning given to it in Section 197 of the Local Government Act 2002. (See DEFINITIONS below)

“**Development contributions calculation period**” means the period between 1 July 2001 and a date 20 years after the date of first adoption of this Policy.

“**District parks**” means land and assets comprising the larger parks and reserves of the district including Paeroa Domain, Hugh Hayward Domain, Morgan Park, Gilmour Park and other passive and active parks and reserves, other than small local reserves serving only the immediately surrounding population.

“**Dwelling unit**” means any building or group of buildings or any part of those buildings, used or intended to be used solely or principally for residential purposes and occupied or intended to be occupied by not more than one household – and includes a minor household unit or any unit of commercial accommodation. For the avoidance of doubt the definition of dwelling, for the purposes of this Policy, does not have the meaning given to it in the Hauraki District Plan.

“**Gross business area**” means:

- (a) the *gross floor area* of any building, plus
- (b) the area of any part of the *lot* used solely or principally for the storage, sale, display or servicing of goods or the provision of services on the *lot* but not including permanently designated vehicle parking, manoeuvring, loading and landscaping areas, the conversion of which to another use would require resource consent.

**The *gross business area* excludes the area of network infrastructure including pipes, lines and installations, roads, water supply, wastewater and stormwater collection and management systems, but includes the area of buildings occupied by network service providers, including offices, workshops, warehouses and any outside areas used for carrying out their normal business.**

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“**Gross floor area**” has the meaning given to it in Section 4 of the Hauraki District Plan. (See DEFINITIONS below)

“**ILOS cost**” means the cost of improving levels of service to existing households and businesses by bringing assets up to the *service standard* and/or by providing additional service life.

“**Impervious Area**” means that part of the *lot* which is not permanently laid out in grass or landscaping or planted in trees and shrubs and includes any part of the *lot* which is covered by any artificial surface, including semi-permeable surfaces intended for storage or vehicle movement or parking.

“**Improved level of service project**” or “**ILOS project**” means a capital project in the LTCCP intended only to deal with shortfalls in levels of service to existing households and businesses by bringing assets up to the *service standard* and/or by providing additional service life.

“**Legally established**” means, in relation to any *lot* or development, any *lot* for which a title has been issued, or any dwelling, commercial or industrial unit for which a code of compliance has been issued. *Legally established* development includes buildings and structures demolished since the first introduction of this policy on 1 July 2008, or those demolished up to three years prior to that and date for which a financial contribution can be shown to have been paid.

“**Lot**” means any allotment, which by definition includes any land, unit, building or part of a building, capable of being disposed of separately.

“**Lot unit of demand**” means the demand for a community facility generated by the creation of lots through subdivision.

“**Optimised depreciated replacement cost**” or “**ODRC**” means the value of an existing asset, obtained from the Council’s valuation records, serving existing households and businesses, that value being determined as the cost of building or buying a modern equivalent asset, depreciated to reflect the shorter remaining life of the existing asset. In calculating the *service level deficiency* the ODRC is limited to those components of the

existing asset responsible for the service level deficiency being corrected by a *combined project (AC/ILOS project)*.

“**Past surplus capacity**” means capacity in assets as a result of capital expenditure made in anticipation of development since 1 July 2001.

“**Remaining service life**” or “**RSL**” of an asset means the number of years before an asset serving existing households and businesses will require replacement or substantial renewal in order to maintain the *service standard*.

“**Remaining surplus capacity**” means the estimated remaining capacity in capital assets at the end of the LTCCP period, available to service future development occurring after the LTCCP period.

“**Replacement cost to service standard**” or “**RCSS**” means the cost of works that would be required to bring the level of service to existing households and businesses up to the *service standard* or to provide additional service life. The RCSS represents both the *service standard* and service life requirements so that the RCSS and the cost of a *combined project (AC/ILOS project)* are on an equivalent basis, including common service standard and service life horizons.

“**Serviced Site**” means any site dedicated for the location of a vehicle, or tent for the accommodation of persons, which is provided with utility services such as water supply, wastewater disposal, solid waste disposal, electricity or gas, either directly to the site or in the immediate vicinity.

“**Service standard**” means a level of service for any network infrastructure, *community infrastructure* or reserves set by the Council and stated in the asset management plans for the assets concerned, having due regard to one or more of the following factors:

- (a) demand data based on market research;
- (b) widely accepted and documented engineering or other minimum standards;
- (c) politically endorsed service levels based on community consultation;
- (d) safety standards mandated by local or central government;

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- (e) environmental standards mandated by local or central government;
- (f) existing service levels, where these are recognised by all concerned parties to be adequate but have no formal ratification;
- (g) efficiency considerations where the *service standard* must take account of engineering and economic efficiency requirements which require a long term approach to optimality. OK

“**Significant public benefit**” means a clear benefit created toward the enjoyment, health, convenience, safety and well-being of people or the care of animals and the environment, that is not exclusive of all or any part of the general public and that is carried out by community groups or non-profit organisations.

“**Surplus capacity project**” or “**SC project**” means a past capital expenditure project carried out since 1 July 2001 in anticipation of new development and providing surplus capacity for further development.

“**Unit of demand**” is a unit of measurement by which the relative demand for a community facility, generated by different types of development activity, (existing or proposed) can be assessed. A *unit of demand* may be expressed as a *lot unit of demand* or an *activity unit of demand*.

## DEFINITIONS UNDER ACTS AND THE HAURAKI DISTRICT PLAN

“**Allotment**” is defined under Section 218(2) of the Resource Management Act 1991 as follows:

- “(a) Any parcel of land under the Land Transfer Act 1952 that is a continuous area and whose boundaries are shown separately on a survey plan, whether or not—
- (i) The subdivision shown on the survey plan has been allowed, or subdivision approval has been granted, under another Act; or
  - (ii) A subdivision consent for the subdivision shown on the survey plan has been granted under this Act; or
- (b) Any parcel of land or building or part of a building that is shown or identified separately—
- (i) On a survey plan; or

- (ii) On a licence within the meaning of Part 7A of the Land Transfer Act 1952; or
- (c) Any unit on a unit plan; or
- (d) Any parcel of land not subject to the Land Transfer Act 1952.”

“**Community infrastructure**” is defined under Section 197 of the Local Government Act 2002 as follows:

- “(a) land, or development assets on land, owned or controlled by the territorial authority to provide public amenities ; and
- (b) includes land that the territorial authority will acquire for that purpose.”

“**Development**” is defined under Section 197 of the Local Government Act 2002 as follows:

- “(a) any subdivision or other development that generates a demand for reserves, network infrastructure, or community infrastructure; but
- b) does not include the pipes or lines of a network utility operator.”

“**Gross floor areas**” is defined in Section 4.0 of the Hauraki District Plan as follows:

- “the sum of the gross floor area of all floors of all buildings on a site measured from the exterior faces of the exterior walls or from the center lines of walls separating two buildings. In particular, gross floor area shall:
1. Include:
    - Elevator shafts, stairwells and lobbies at each floor.
    - Mezzanine floors and balconies
  2. Exclude:
    - Any provided carparking and servicing areas and access thereto.
    - Building service rooms containing equipment such as lift machinery, tanks, airconditioning and heating plants.

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## APPENDIX B – DEVELOPMENT CONTRIBUTION MODEL EXPLANATION

### 1.0 Overview

- 1.1 The Hauraki District Development Contributions Model – 1 Series is a Microsoft Excel spreadsheet. It contains 3 principal worksheets:
- a) *Projections Schedule*. This contains the growth assumptions for each community facility *catchment* in the district within which development contributions will be sought. The spreadsheet provides annual projections of additional rating units (*units of demand*) in each *catchment* to 2027.
  - b) *Surplus Capacity Schedule*. This contains data on projects carried out before the adoption of the Development Contributions Policy. It calculates the value (*AC costs*) of any portion of surplus capacity in the completed assets that may be attributable to new and future development.
  - c) *Project Allocation Schedule*. This contains data on all projects to be carried out in the LTCCP period and calculates the portion of their value (*AC cost*), which is attributable to new development.
- 1.2 The Model also contains a *Summary* worksheet, which groups the *AC costs* of all projects according to their service type and the community facility *catchment* within which they fall. Using the additional *units of demand* expected for each *catchment* from the *Projections Schedule*, *Summary* calculates the development contributions applicable to each *unit of demand* for each community facility. The development contributions are set out in **Table 1 – Schedule of Development Contributions**.
- 1.3 *Summary* also contains **Table 2** – which summarises the capital expenditure identified to meet increased demand resulting from growth and the sources of funding that capital expenditure for each Council activity.

### 2.0 Projections Schedule worksheet

- 2.1 The worksheet *Projections Schedule* calculates the amount of new development that is expected to occur annually in the district and in a number of parts of it, to which the growth related portion (*AC cost*) of capital expenditure can be attributed.
- 2.2 *Projections Schedule* uses rating units as the initial unit of projection because rating data is collected annually and provides a useful measure of the *units of demand* expected for infrastructure and services. Rating data for the 2006/07 year in **Column E** of the worksheet is used as the base year from which projections commence.
- 2.3 Initially, the worksheet projects new and future rating units (*units of demand*) on the basis of different rating areas (**Column B**) for which data is usually collected. Rating data is available for the whole district, the three wards of the district and each of the water supply and wastewater network areas. Water supply and wastewater data was used as a proxy for stormwater rating units in the base year.
- 2.4 Assumptions have been made of the expected annual increase in the numbers of rating units out to 2027 in each of these areas based on past rating unit growth since 2003. These assumptions are stated in the worksheet (**Column F**) next to the appropriate annual percentage growth rate (**Column G**).
- 2.5 Once projections are available for these rating areas they are used to calculate the growth of the various service *catchments* determined by the Council during policy formulation as described in **Section 2.11** of this Policy. For example:
- a) District rating unit projections are used to provide growth data for the district-wide roading, *district parks*, *community facilities*, solid waste and libraries *catchments*;
  - b) Ward rating unit data for the Plains Ward is used to provide growth data for the single Plains land drainage *catchment*;
  - c) Rating unit projections for each of the separate water supply and wastewater areas are combined to provide growth data for the single water supply, wastewater treatment and stormwater *catchments*.
- 2.6 Growth in each *catchment* is projected out to 2017 to give the amount of new (N) development occurring in the 10-year LTCCP period (**Column R**) and also the amount of future (F) development expected to

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occur after the LTCCP period (**Column AD**), to which a portion of the AC cost of asset capacity may have to be attributed.

2.7 The growth data for N in 2017 and F in 2027 in **Column R** and **Column AD** respectively of the worksheet *Projections Schedule* is used later in the *Summary* worksheet to calculate the final development contribution amounts for the various *catchments*.

2.8 *Projections Schedule* also provides projected annual counts of rating units (*units of demand*), which are used in the worksheets *Surplus Capacity Schedule* and *Project Allocation Schedule* in the manner described in **Sections 3.0** and **4.0** to **6.0** below.

### 3.0 Surplus Capacity Schedule worksheet

3.1 The worksheet *Surplus Capacity Schedule* contains capital projects undertaken by the Council since 2002 under each activity type. Data is provided for each, describing the project name (**Column E**), the year completed (**Column A**), the rating area (and hence *catchment*) within which the project falls (**Column C**), the project cost (**Column H**), the percentage value of any subsidy (**Column I**) and the year in which capacity is expected to be reached (**Column O**).

3.2 Using the rating area number in **Column C**, the worksheet looks up in *Projections Schedule*, the growth projection worksheet, the existing rating units in 2007 that were already using capacity in the project. This is put into **Column M**.

3.3 Using the year in which capacity is expected to be reached (**Column O**) the worksheet then looks up in *Projections Schedule* the number of additional rating units that will be using capacity in the project by that year and hence the surplus capacity component of project cost (**Column Q**) that is attributable to new (N) and future (F) development. This value will be used in the *Summary* worksheet, where the portion of project cost due to N only will be used to calculate the development contribution amounts.

3.4 It is assumed that the Council has borrowed (either internally or externally) to fund surplus capacity in assets for new and future development. Worksheet *Surplus Capacity Schedule* therefore applies an interest based present value factor to the value of the surplus capacity of each project, depending on the year in which the project was built, using the worksheet *Lookup*. The current value of surplus capacity is returned in **Column S** of *Surplus Capacity Schedule*.

### 4.0 Project Allocation Schedule worksheet – Base data

4.1 The worksheet *Project Allocation Schedule* contains all capital projects to be undertaken by the Council in the LTCCP period. The project amounts are inflation adjusted.

4.2 The following base data is provided for each project as follows:

- a) Project name, year and activity type (**Columns A, B and C**);
- b) Rating area number and rating area code to determine the development contributions *catchment* within which the project will fall (**Columns F and G**);
- c) Project cost and the value of any subsidy or grant (**Columns M and N**) in order to calculate net project cost (**Column T**);
- d) Information that assists with considerations on benefits, distribution of benefits over time and the extent to which actions and inactions of various groups, cause capital spending (**Columns H to K**);
- e) The reasons for the project and for any service level deficiency being experienced by existing households and businesses who may benefit from the project (**Columns U and V**);
- f) The *remaining service life* of any asset serving existing households and businesses who may benefit from the project and the *additional service life* being offered by the project (**Columns W and X**); and
- g) The year in which capacity take up of the project will commence and the year in which capacity is expected to be fully consumed (**Columns AH, AJ and AK**).

4.3 Information on project type is provided in **Column L** as either:

- a) an improved level of service project (ILOS project); or
- b) an additional capacity for growth project (AC project); or
- c) a combined project (AC/ILOS project).

4.4 The value of any *ILOS project* plays no further part in the calculation of the development contribution.

4.5 The value of any *AC project* goes forward for further analysis to determine the share due to new (N) development in the 10-year LTCCP period and that due to future (F) development occurring after the LTCCP period.

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- 4.6 The value of any *AC/ILOS project* goes forward for further analysis to determine:
- the share due to existing households and businesses to correct service level deficiencies or add asset life; and
  - the share due to new (N) development and that due to future (F) development occurring after LTCCP period.

## 5.0 Project Allocation Schedule worksheet – Calculation of AC/ILOS shares on combined projects

- 5.1 As required by **Section 5.2** of the Policy, the following steps are carried out in worksheet *Project Allocation Schedule* but only on *combined projects (AC/ILOS projects)*:
- The service level deficiency being experienced by existing households and businesses is calculated as the *ODRC (Column Z)* divided by the *RCSS (Column AA)*, and expressed as a percentage in **Column AB**;
  - The number of *ILOS units of demand (Column AD)* on the project is calculated as the number of existing *units of demand* that are serviced below the *service standard (Column Y)*, multiplied by the service level deficiency (**Column AB**);
  - The number of *AC units of demand* for the project to be consumed by new (N) and future (F) development is calculated using the years in which capacity consumption starts and finishes, as provided in **Columns AJ and AK**. The worksheet looks at the growth projection worksheet *Projections Schedule* and draws down the total new and future development that will occur in that consumption period. It returns these in **Columns AO and AP**.
  - The ratio between the *ILOS units of demand* for the project and the *AC units of demand* is used to calculate the *ILOS cost* in **Column AS** which is then removed from any further calculation in the development contribution.
  - The balance *AC cost* goes forward for calculation of the share due to new (N) development and that due to future (F) development occurring after LTCCP period.

- 5.2 **Note:** Although the AC/ILOS cost allocation method using the *ODRC* and *RCSS* data in **Columns Z and AA** is entrenched in the Policy and

in the structure of the Model, data has not been available to enable this provision to be fully utilised in the current run of the Model.

In preparing the 2007 run of the Model, asset managers were of the view that when they carried out any *combined projects*, they would generally only do so when the *ODRC* of the existing asset being replaced or upgraded by the combined project reached \$0. They had costed the replacement cost (*RCSS*) accordingly. They considered that they would not normally replace an existing asset any earlier than they had to.

The Model offers the ability to take account of situations where it is of benefit to both existing households and businesses and to new development to carry out *combined projects* providing additional capacity for growth and upgrading an existing asset, before the existing asset has reached the end of its useful life. The Model takes account of the remaining value and life in the existing asset using its *ODRC* and gives existing residents credit for that value, even though the asset may be aging or below the service standard.

It is considered that the asset management plans are not advanced to the point where data is available to provide *RCSS* amounts where *combined projects* occur before the existing asset expires. A decision was taken that in the current round, an *ODRC* of \$0 would be assumed for all *combined projects*.

The effect of this decision is to allocate a higher proportion of any *combined project's* costs to existing households and businesses. The assumption is that the existing asset has largely expired and any unit of existing development will place the same demand on the new asset as any incoming development. This does not mean that the whole of the project's cost will fall to existing development. The project's cost will still be allocated proportionally between the actual numbers of existing (E), new (N) and future (F) *units of demand* that will consume capacity in the *combined project*. However, the lack of data will mean that any remaining value in existing assets, which should be attributable to existing development, will not be taken into account.

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## 6.0 Project Allocation Schedule worksheet – Allocation of AC cost between new and future development

- 6.1 Both the *Surplus Capacity Schedule* and *Project Allocation Schedule* worksheets generate amounts of AC costs that are due to both new (N) and future (F) development coming to the district.
- 6.2 It is an important principle of the Policy that where capacity remains in assets at the end of the 10-year LTCCP period, the cost of providing that capacity should not be included in development contribution amounts and thus fall to new (N) development occurring in the LTCCP period. N should only pay development contributions for the amount of capacity it consumes.
- 6.3 **Columns AT and AU** in *Project Allocation Schedule* calculate the AC costs to new development (AC<sub>N</sub>) and the AC costs to future development (AC<sub>F</sub>). Only the AC<sub>N</sub> costs go into the development contribution calculation.
- 6.4 The AC<sub>N</sub> / AC<sub>F</sub> split is derived as follows. The period over which the capacity provided by the project will be consumed is calculated using the year in which capacity take-up will start and the year in which capacity is expected to be fully consumed (**Columns AJ and AK**). Using the start date, the portion of capacity consumed by 2017 can be determined and assigned to new (N) development in the LTCCP period. The balance consumed after 2017 is assigned to future (F) development and is not included in the development contributions calculation. For example:
- Year capacity take up starts = 2010 (**Column AJ**)
  - Year capacity reached = 2027 (**Column AK**)
  - Years of capacity take up = 17 years (**Column AL**)
  - New (N) development to the end of LTCCP period 2016, uses 7 years capacity = 7/17 or 41.2% of capacity (**Column AM**)
  - Net AC cost in **Column AG** multiplied by 41.2% gives AC costs to N in **Column AT**
  - AC costs to F in **Column AU** is excluded from development contributions.

## 7.0 Plains Water adjustment worksheet

- 7.1 Initial runs of the development contributions model showed development contribution amounts for the Plains water supply network, significantly higher than for other networks. It was found that a large capital cost had been identified for creating additional water supply capacity in the Plains area and that this was being shared between a relatively small projected number of additional (mainly urban) rating units in the 10-year LTCCP period.
- 7.2 It was found that a considerable proportion of the additional capacity in the water supply network would in fact be consumed by:
- an expected number of new, mainly urban *units of demand* (and possibly a small number of new rural *units of demand*) arriving over the *development contribution calculation period*; and
  - increased water consumption by existing rural homes and enterprises. The cost of this latter component of capacity cannot easily be recovered by the Council through development contributions, particularly because much of it is not expected to constitute “*development*” under the Act and does not involve subdivisions, building consents or new connections.
- 7.3 The cost of additional asset capacity in the Plains water supply network to be funded by development contributions was therefore reduced in the worksheets *Project Allocation Schedule* and *Surplus Capacity Schedule* by an amount that reflected the likely portion of that capacity that will be consumed by increasing demands from existing rural development.
- 7.4 This was determined by analysis shown in worksheet *Plains Adjust* using the relative proportions of urban versus rural water consumption in the Plains network at present. The analysis found that only 7.24% of capacity was being consumed by urban demand and 92.76% of capacity by rural demand.
- 7.5 The model has been run on this basis and a significantly reduced development contribution amount has been obtained for water supply.

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## 8.0 Summary worksheet

- 8.1 The *Summary* worksheet draws data for all other worksheets and calculates the total development contribution amounts for each activity.
- 8.2 **Column J** finds the total *AC costs* for each of the various activities during the LTCCP period to be allocated to new (N) development occurring in that period. In the case of water supply, wastewater and stormwater, this is made up of a combination of *AC costs* in various smaller areas making up the activity *catchment*.
- 8.3 *AC costs* are divided by the expected increase in new (N) *units of demand* (**Column F**) to give the development contribution for each activity from LTCCP projects (**Column N**).
- 8.4 *AC costs* for *surplus capacity projects* in **Column P** are similarly divided by the new (N) *units of demand* (**Column F**) to give the surplus capacity development contribution component for each activity type in **Column S**.
- 8.5 The total development contribution for each activity is shown in **Column T**.
- 8.6 The *Summary* worksheet generates **Table 1** – the Schedule of Development Contributions and **Table 2** – which summarises the capital expenditure identified to meet increased demand resulting from growth and the sources of funding of that capital expenditure.

# DRAFT

## APPENDIX C – DEMAND FACTORS FOR BUSINESS DEVELOPMENT

### C.1. Rooding

#### Assumptions

Average business site size = 1500m<sup>2</sup>

Gross business area is 60% of site - 1000m<sup>2</sup>

Employees/ha of business = 30 FTE's/ha (FTE (Full Time Equivalent) Employment figures may be amended subject to further sampling)

Average Household Unit Trip generation = 9 trips per day = 1 *Unit of Demand*

Sites per net ha = 5 (7500m<sup>2</sup> sites, 2500m<sup>2</sup> roads)

Gross business area per hectare = 5 X 1000 = 5000m<sup>2</sup>

Each site of 1500m<sup>2</sup> and each 1000m<sup>2</sup> of gross business area has = 30/5 FTE's = 6FTE's

Minimum trip generation 3 trips per FTE per day = 18 trips per day

*Unit of Demand* Factor = 18/9 = 2 per 1000m<sup>2</sup> of business area OR 0.002 per m<sup>2</sup> of business area

3.

### C.2 Water supply and wastewater treatment

#### Assumptions:

Residential consumption 200 l/person/day = 1 *Unit of Demand*

Average household occupancy 2.8 persons

Average business water consumption 15,000l per hectare of business land per day (Consumption figures may be amended subject to further sampling)

1 Household Unit uses 200X2.8 = 560 l/day = 1 *Unit of Demand*

1000m<sup>2</sup> business land area uses 15000/10 = 1500l/day

*Unit of Demand* Factor = 1500/560 = 2.67 per 1000m<sup>2</sup> land area

Assume gross business area is 60% of 1000m<sup>2</sup> site  
Revised *Unit of Demand* Factor of 1.6.

*Unit of Demand* factor is 1.60/1000m<sup>2</sup> of business area for water and wastewater  
OR 0.0016 per m<sup>2</sup> of business area.

### C.3 Stormwater and land drainage

#### Assumptions

Average residential site = 600m<sup>2</sup>

Runoff coefficient for greenfields = 0.40<sup>i</sup> = C<sub>1</sub>

Runoff coefficient for residential areas = 0.55<sup>ii</sup> = C<sub>2</sub>

Runoff coefficient for business use = 0.65<sup>iii</sup> = C<sub>3</sub>

*Unit of Demand* Factor for business land =

$$= \frac{C_3 - C_1}{C_2 - C_1} \times \frac{1000 \text{ m}^2}{600 \text{ m}^2}$$

$$= \frac{0.65 - 0.40}{0.55 - 0.40} \times \frac{1000 \text{ m}^2}{600 \text{ m}^2}$$

$$= 2.78 \text{ per } 1000\text{m}^2 \text{ site OR } 0.00278 \text{ per m}^2 \text{ of impervious area.}$$

Surface Water, Building Industry Authority, December 2000, Table 1, Runoff Coefficients, Page 2.

<sup>i</sup> Heavy clay soils types – pasture and grass cover.

<sup>ii</sup> Residential areas in which *impervious area* is 35% to 50%.

<sup>iii</sup> Industrial commercial, shopping areas and town house developments.

# DRAFT

## APPENDIX D – DEVELOPMENT CONTRIBUTION CATCHMENTS

COMMUNITY FACILITY	CATCHMENT	DEVELOPMENT TO WHICH DEVELOPMENT CONTRIBUTION APPLIES
Roading	District	Development anywhere in the district
District parks	District	Development anywhere in the district except commercial and industrial development
Community infrastructure	District	Development anywhere in the district except commercial and industrial development
Libraries	District	Development anywhere in the district except commercial and industrial development
Solid waste	District	Development anywhere in the district
Land drainage	Single land drainage catchment comprising Western Plans, Eastern Plains and Paeroa Rural land drainage districts <sup>3</sup>	Only development in the land drainage catchment
Stormwater	District	All development where the service is available
Wastewater treatment	District	All development where the service is available but only applying to that development connecting to the network
Water supply	District	All development where the service is available but only applying to that development connecting to the network

<sup>3</sup> Hauraki Community Plan 2006-2016, Page 137

**APPENDIX 2 – CONTRIBUTIONS ON BUSINESS DEVELOPMENTS**

HAURAKI DISTRICT DEVELOPMENT CONTRIBUTIONS REPORT ON LIKELY DEVELOPMENT CONTRIBUTIONS FOR A SAMPLE OF COMMERCIAL AND INDUSTRIAL DEVELOPMENTS											
Development	District Roading	District Community Facilities	District Solid Waste	District Parks	District Libraries	Water Supply	Wastewater	Stormwater	Land Drainage	TOTAL	Comparative one residential unit of demand
WAIHI SUPERMARKET	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,103	\$ -	\$ 9,103	\$ 6,534
WAIHI MITRE 10	\$ 7,227	\$ -	\$ -	\$ -	\$ -	\$ 996	\$ 2,980	\$ 7,298	\$ -	\$ 18,501	\$ 6,534
NGATEA INDUSTRIAL	\$ 4,916	\$ -	\$ 5	\$ -	\$ -	\$ 826	\$ 2,471	\$ 5,080	\$ 3,573	\$ 16,870	\$ 7,153
PAEROA BREAD DEPOT	\$ 84	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 871	\$ -	\$ 955	\$ 6,534
WAIHI VETERINARY	\$ 1,280	\$ -	\$ -	\$ -	\$ -	\$ 121	\$ 362	\$ 1,674	\$ -	\$ 3,437	\$ 6,534
WAIHI BP	\$ 5,236	\$ -	\$ -	\$ -	\$ -	\$ 591	\$ 1,768	\$ -	\$ -	\$ 7,595	\$ 6,534
WAIHI SUPERMARKET (2)	\$ 6,993	\$ -	\$ 9	\$ -	\$ -	\$ 1,229	\$ 3,675	\$ 15,262	\$ -	\$ 27,168	\$ 6,534
BENNER DRIVE NGATEA	\$ 102,301	\$ 8,088	\$ 419	\$ 8,154	\$ 2,608	\$ 24,790	\$ 74,162	\$ 34,310	\$ 24,128	\$ 278,958	\$ 7,153
YOUNG SUBDIVISION WAIHI	\$ 97,054	\$ 7,673	\$ 397	\$ 7,735	\$ 2,474	\$ 23,519	\$ 70,359	\$ 32,550	\$ -	\$ 241,762	\$ 6,534
SMALL RES SUBDIVISION PAEROA	\$ 5,246	\$ 415	\$ 21	\$ 418	\$ 134	\$ 1,271	\$ 3,803	\$ 1,759	\$ -	\$ 13,068	\$ 6,534
KEREPEHI INDUSTRIAL	\$ 7,869	\$ -	\$ 11	\$ -	\$ -	\$ 1,398	\$ 4,183	\$ 8,903	\$ 6,261	\$ 28,626	\$ 7,153
<b>NOTES:</b>											
WAIHI SUPERMARKET	Low contribution mainly because of eight existing underlying titles which accrue credits. However the development results in a very large increase in impervious area - hence the stormwater contribution										
WAIHI MITRE 10	Four underlying titles and some existing development gives some credits but the development is so large it still generates 3 additional roading and 1.6 additional water supply and wastewater contributions because of its large size. Stormwater - there has been a very large increase in impervious area compared to what was on site previously										
NGATEA INDUSTRIAL	This is the largest contribution due to it being a large greenfield development - on a previously vacant lot . Only 1 pre-development credit for the lot. Largest part of contribution is for stormwater and land drainage due to the fairly large impervious area (buildings and surfaced yards) of the new development (about 2400m2). Note:										
PAEROA BREAD DEPOT	Relatively small development compared to other examples. Gains a 1 existing lot credit and units of demand for the new development only just exceeds 1 on roading and stormwater. Wastewater and sewer expected to generate no more than the existing one unit of demand										
WAIHI VETERINARY	Similar to Paeroa Bread Depot. Relatively small development - gaining the existing one lot credit and only generating and additional 0.2 to 0.5 units of demand for roading water and wastewater. Stormwater relatively high due to increase in impervious area from what was on site previously										
SMALL RES SUBDIVISION PAEROA	Quite a large development but it gains substantial credits for the number of existing lots and development that was on the site already. The stormwater contribution is \$0 as a result of a slightly reduced impervious area										
WAIHI SUPERMARKET (2)	Theoretical - assumes no pre-existing development - 1 vacant lot										
BENNER DRIVE NGATEA	40 lot subdivision on one existing title. Receives one credit for the existing title and pays 39 residential contributions										
YOUNG SUBDIVISION WAIHI	40 lot subdivision on three existing titles. Receives three credits for the existing titles and pays 37 residential contributions. No land drainage contributions apply										
SMALL RES SUBDIVISION PAEROA	Theoretical - assumes a small 4 lot urban residential subdivision on 2 existing lots, one with a house on it										
KEREPEHI INDUSTRIAL	Assumes development of a 5190 m2 site at Kerepehi with 2000m2 of office/workshop space and total 4000m2 of impervious area (combined hardstanding and building area)										

