

# Council Policy

Policy Title:	Development Contributions (DCs) Policy
Responsibility:	Executive Manager Finance, Strategy & Governance
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## 1 Policy Objectives

- 1.1 The objectives of this Policy are:
- (a) To recover from people undertaking developments a fair, equitable and proportionate share of the costs of capital expenditure necessary to service growth over the long term.
  - (b) To provide a transparent method of calculating development contributions (DCs).
  - (c) To apply DC charges consistently.
  - (d) To comply with section 102(d) of the Local Government Act 2002 (LGA) which requires Ruapehu District Council (Council) to adopt a policy on DCs or Financial Contributions (FCs) as part of its funding and financial policies.
- 1.2 This Policy targets the following community outcome contained in Council's Wellbeing Framework:
- (a) *Our infrastructure assets and services are resilient and fit for purpose.*
- 1.3 This Policy targets the following goal contained in Council's Wellbeing Framework:
- (a) *All Council-owned assets are resilient and future proof.*

## 2 Definitions

- 2.1 **Allotment and Lot** have the same meaning as in Section 218(2) of the Resource Management Act (RMA) 1991.
- 2.2 **Capacity Life** means the time between a new infrastructure asset being built (or provided) and the point in time at which the capacity of that asset to service additional growth has been used up.
- 2.3 **Catchments** are the areas in the Ruapehu District (District) that will benefit from projects. A catchment can be the whole District or a part of the District.
- 2.4 **Commercial Development** means development for service, commercial, industrial, recreational, or community activity or for visitor accommodation purposes.
- 2.5 **Community Facilities** has the same meaning as in Section 197 of the LGA. It includes reserves, network infrastructure and community infrastructure.
- 2.6 **Community Infrastructure** has the same meaning as in Section 197 of the LGA and includes community centres or halls, play equipment that is located on a neighbourhood reserve and toilets for use by the public.

- 2.7 **Developer** means a person, persons, organisation, company, or legal entity that proposes to, or is in the process of, subdividing or improving land.
- 2.8 **Development** has the same meaning as “development” in Section 197 of the LGA.
- 2.9 **Development Contribution (DC)** has the same meaning as “development contribution” in Section 197 of the LGA.
- 2.10 **Financial Contribution (FC)** means a Financial Contribution specified in the Ruapehu District Plan (unless otherwise specified) and collectable under the provisions of the Resource Management Act 1991.
- 2.11 **Hapū** is a sub-tribe of people in Māori society, comprising of whānau who descend from a shared ancestor. Hapū hold customary and tribal rights as the people at place.
- 2.12 **Household Equivalent Unit (HEU)** is a unit of demand representing one average household.
- 2.13 **Household Unit** is any house, dwelling, flat or unit where people can live.
- 2.14 **Impermeable Surface** means any area covered by polythene, impervious geotextile fabric, roofing or impervious pavement or impervious coating or surface of any kind, including paving stones, cobblestones, concrete, tar seal or asphalt.
- 2.15 **LGA** means the Local Government Act 2002.
- 2.16 **Network Infrastructure** has the same meaning as “Network Infrastructure” in Section 197 of the LGA.
- 2.17 **Non-Commercial Development** means development that is for residential use either in urban or rural areas.
- 2.18 **Parent Lot** is the remnant of the original lot that was subdivided.
- 2.19 **Required Toilet Pans** is the minimum number of toilet pans required in the current Building Code (based on a 50:50 ratio of males and females).
- 2.20 **Site** has the same meaning as lot and allotment and is an area of land which complies with the provisions of the Ruapehu District Plan, as regards to minimum frontage and configuration and which (being all the land comprising one Certificate of Title) may be disposed of separately.
- 2.21 **Urban Area** is defined by the ability to be connected to a service (e.g., water or wastewater).
- 2.22 **Visitor Accommodation** means residential buildings aimed at housing visitors for a financial consideration and includes, but is not limited to, boarding houses, chalets, backpackers’ hostels, motels, and hotels.

### **3 Principles**

- 3.1 The following principles have been taken into account when preparing this Policy:
- (a) Contributions will be required from developers who create or cumulatively have created a need for new or additional assets or assets of increased capacity (Section 197AB(a)).
  - (b) DCs will be generally consistent with the capacity life of the assets so that over-recovery of costs allocated to DC funding is avoided (Section 197AB(b)).
  - (c) Cost allocations used to establish DCs will be proportional to the persons who will benefit from the assets to be provided as well as those who create the need for those assets (Section 197AB(c)).
  - (d) DCs will be used for the activity or the groups of activities in the District, or part of the District, for which they were required (Section 197AB(d)).
  - (e) That enough information is available to demonstrate what DCs are being used for and why they are being used (Section 197AB(e)).
  - (f) The DCs should be predictable and be consistent with the methodology and schedules in the DC Policy (Section 197AB(f)).
  - (g) Grouping of developments by geographic area or category of land use has been done in a manner that balances practical and administrative efficiencies with fairness and equity. District-wide grouping has been avoided where practicable (Section 197AB(g)).
- 3.2 This Policy supports the principles set out in the Preamble to Te Ture Whenua Māori Act 1993. These principles include recognition that land is a taonga tuku iho of special significance to Māori, and for facilitation of the occupation, development, and utilisation of that land for the benefit of its owners, their whānau, and their hapū. Council considers that this policy supports those principles, particularly when viewed in conjunction with Council's Revenue and Financing Policy, Council's Remission of Rates on Māori Freehold Land Policy, and Council's Rates Remission Policy. The Council is committed to understanding and applying key Māori concepts to enhance outcomes for our communities, thereby bringing to life the principles of Te Tiriti o Waitangi, which is one of two pou, or metaphorical posts, that support Council's new Wellbeing Framework.

### **4 Background**

- 4.1 Development can result in Council being required to undertake projects involving the upgrade, extension, or creation of new infrastructure. It is appropriate that the groups and individuals who create the demand for increases in infrastructure and infrastructure capacity fund that work.
- 4.2 This Policy:
- (a) Summarises and explains the capital expenditure identified in the Long Term Plan (LTP) that will be incurred to meet increased demand from growth (Section 106(2)(a)).
  - (b) Explains why Council has decided to use DCs to meet the capital expenditure required for growth (Sections 101 and 106).
  - (c) Includes the other matters that must be covered in a DC Policy as required by Sections 197 – 211, and Schedule 13 of the LGA.
  - (d) Sets out the amount of DCs payable for different types of infrastructure and how that is calculated for non-commercial and commercial developments.
  - (e) Discusses operational matters, such as when DCs will be assessed and when they must be paid.
  - (f) Explains the processes for reconsideration, remission, or postponement of DCs.

- 4.3 The main changes in this Policy from the one previously in place are:
- (a) Updating the planning assumptions.
  - (b) Updating the schedule of assets.

## **5 Policy Statement**

### **5.1 Application of this Policy**

The DC Policy enables Council to impose DCs on developments for provision of network infrastructure and community infrastructure.

#### **5.1.1 Council will not impose DCs where:**

- (a) It has imposed a condition on resource consent in relation to the same development for the same purpose under Section 108(2)(a) of the RMA 1991.
- (b) A developer agreement has been entered into with the Council either under Sections 207A to 207F of the LGA or under Council's general powers to enter into agreements.
- (c) A residential unit is replaced on a site.
- (d) There are additions or alterations to buildings, but no additional household equivalent unit of demand is created.
- (e) A replacement building is constructed on a commercial or industrial site and there is little change in the extent of impervious areas, car parks and water and wastewater usage.
- (f) A DC has already been required for the same purpose in respect of the same allotment or building work.
- (g) A secondary dwelling, granny flat or self-contained residential unit is to be located on the same lot as an existing family home.

### **5.2 Relationship with Financial Contributions in the Ruapehu District Plan**

This policy is distinct from, and in addition to, the provisions in the Ruapehu District Plan that provide Council with the discretion to require FCs under the RMA 1991.

5.2.1 Council will apply this Policy when a DC is payable for a particular purpose within a catchment and for all District-wide contributions.

5.2.2 Where a development results in Council incurring expenditure that is not covered by this Policy, Council may impose a FC as a condition of resource consent. The Financial Contributions Policy is in Sections FC2 and FC3 of the Ruapehu District Plan.

5.2.3 Council can also impose a FC on any development to which this Policy does not apply.

### **5.3 Justification for charging DCs**

#### **5.3.1 Legislative Background**

- (a) Section 106(2)(c) of the LGA requires Council to explain why the local authority has determined to use DCs to meet the expected cost of capital expenditure identified in the LTP, that Council expects to incur to meet the increased demand for community facilities resulting from growth. The justification, which is based on a consideration of criteria in Section 101(3) of the LGA, is summarised below.

#### **5.3.2 Contribution to Community Outcomes - Section 101(3)(a)(i) LGA**

The activities for which DCs are payable contribute to the following community outcomes:

- (a) *Our infrastructure assets and services are resilient and fit for purpose.*
  - (i) Quality regulation, regulatory services, and infrastructure ensure our infrastructure assets are resilient and fit for purpose.
  - (ii) Core infrastructure (water, wastewater, stormwater, waste management and minimisation and roading) endeavour to keep pace with changing demand to ensure they are fit for purpose now and in the future.
- (b) *Our local communities are thriving and enabled to pursue their aspirations.*
  - (i) Quality regulation, regulatory services, and infrastructure help our community thrive and support them to pursue their aspirations.
  - (ii) Our transportation network is reliable, safe and endeavours to meet the needs of users, supporting our local communities so they can thrive and pursue their aspirations.
  - (iii) That excellence and achievement in sport, arts/cultural pursuits, community service and businesses are supported through provision of community facilities such as libraries, pools, halls and parks and reserves.
- (c) *Our natural and built environment is healthy, strong, and safe.*
  - (i) Quality regulation, regulatory services, and infrastructure help keep our natural and built environment healthy, strong, and safe.

#### **5.4 Distribution of benefits within the Community - Section 101(3)(A)(ii) LGA**

Capital expenditure is undertaken for renewal, improving levels of service, and servicing new developments.

5.4.1 DCs fund additional capacity, or a portion of additional capacity, in water supply, wastewater, stormwater, roading and community infrastructure that is needed because of growth. The additional capacity is to accommodate new users, not to improve service levels for existing users. It is appropriate therefore that the cost of additional capacity is borne by those benefiting, not the community as a whole. This aligns with the concept of benefits-based funding.

5.4.2 DCs paid by developers are likely to be passed on through section and building prices to the beneficiaries of the capital works, i.e., the new owners purchasing those properties or businesses.

5.4.3 Conversely, expenditure on renewing infrastructure and increasing levels of service benefits both the existing population and new residents, that is, the community as a whole. This expenditure is funded through loans and rates.

#### **5.5 Period over which benefits are expected to occur - Section 101(3)(A)(iii) LGA**

Major capital works will generally provide additional capacity or benefits for long periods of time, often in clearly identified catchments, e.g., a new water treatment plant, which includes capacity for existing and future growth areas. These types of capital works will be funded in part through DCs over the capacity life of the asset. This means a part of the cost of the asset will be borne by developers over time, as new household units or household unit equivalents are built. This is consistent with the intergenerational equity principle.

5.5.1 There are several major new capital projects identified in past LTPs including the upgrade of water and waste water treatment plants and equipment that may have benefits beyond the ten year period.

5.5.2 Increases in asset capacity are also factored into regular, ongoing renewal and upgrade work undertaken on network infrastructure. In estimating the cost proportion of additional growth-related capacity included in renewals and upgrades, Council has assumed that capacity increases are designed to reflect the overall level of growth expected over the ten year period of the LTP.

**5.6 Extent to which actions or inactions of individuals contribute to need to undertake activity - Section 101(3)(A)(iv) LGA**

Commercial and non-commercial developments give rise to the need to expand the capacity of network infrastructure and community infrastructure. It is fair that a part of the cost of expanding asset capacity or building new infrastructure should be borne by developers.

5.6.1 Put another way, assuming no change in the level of service, if the development did not take place, there would be no demand for expanded or enhanced assets.

**5.7 Costs and benefits of funding this activity distinctly from other activities - Section 101(3)(A)(v) LGA**

The benefit of funding development-driven additions to infrastructural capacity through a separate DC charge is that:

- (a) It reflects the distribution of benefits among the community.
- (b) It is more transparent than funding development-driven expenditure through general or targeted rates.

5.7.1 The costs of funding additions to infrastructural capacity through a separate DC charge include:

- (a) Administrative costs involved in developing the policy, providing, and recording information, invoicing, and collecting contributions and managing disputes.
- (b) Economic costs if DCs are seen as a disincentive to development.

5.7.2 The benefit of recovering the cost of Council's development driven expansion of infrastructure by charging DCs is considered to outweigh the costs.

**5.8 Overall impact of liability for revenue on the community - Section 101(3)(B) LGA**

Section 101(3)(b) of the Act states that funding needs must be met from sources that Council determines appropriate following consideration of the overall impact of any allocation of liability for revenue on the community.

5.8.1 Council considers that placing the liability for revenue for capacity increases in infrastructural assets, i.e., in proportion to the demand created by growth, on developers promotes equity between existing landowners and persons benefiting from new developments.

5.8.2 If the forecast growth does not occur, and hence forecast revenue from DCs does not eventuate, the programme of works will be reassessed.

## **6 CALCULATING DEVELOPMENT CONTRIBUTIONS**

### **6.1 Legislative Background**

Sections 106, 203 and Schedule 13 of the LGA set parameters for the calculation of DCs. DCs are calculated in accordance with the methodology as explained in the following table.

6.1.1 **Table 1: Calculating Development Contributions**

Step	Explanation
1	<p><b>Define Catchments</b></p> <p>Catchments are the area that will receive benefits from a project.</p> <p>In determining the area of benefit, Council may group together certain developments by geographic area or categories of land use provided that:</p> <p>The grouping is done in a manner that balances practical and administrative efficiencies with considerations of fairness and equity; and</p> <p>Grouping by geographic area avoids grouping across an entire district wherever practical.</p>
2	<p><b>Identify 10 year capital expenditure resulting from growth</b></p> <p>This is the capital expenditure that Council expects to incur for network infrastructure and community facilities over the term of the 2024-34 LTP to cater for growth. This is one component of the capital costs budgeted for in the LTP. The others are capital costs for level of service improvements and asset renewals.</p> <p>The capital expenditure and cost allocations are documented in Asset Management Plans (AMPs).</p>
3	<p><b>Identify the percentage of growth related ten year capital expenditure to be funded by DCs</b></p> <p>All of the allocation of capital expenditure to growth will be funded by DCs unless some of that capital expenditure may come from other sources (such as subsidies), or the estimated costs are too uncertain (e.g., because resource consent requirements are unknown) or Council chooses, for other policy reasons, to modify the amounts to be collected through DCs, e.g., encouraging investment and economic development.</p>
4	<p><b>Identify the appropriate units of demand</b></p> <p>Units of demand provide a basis for distributing the costs of growth. The base unit of demand is the Household Equivalent Unit (HEU). The units of demand for each activity that a HEU is assumed to generate is summarised in Table 2.</p> <p>For a residential development the HEU is the equivalent of an allotment or an average dwelling. One new residential dwelling, allotment in a subdivision, or building consent is generally considered as a HEU. Development charges will be the same for each allotment or additional dwelling regardless of size.</p> <p>For a non-residential development the demand for capacity from Council services is calculated using conversion factors. These factors convert non-residential demand into HEUs. The conversion factors are:</p> <p>The number of toilets pans required under the Building Act 2004 with one toilet pan equalling one HEU; or</p> <p>An estimate of the HEU's of demand generated by commercial development per 100m<sup>2</sup> of gross floor area; or</p> <p>A case-by-case assessment where the likely demand varies significantly from that which is derived from the use of a proxy.</p>
5	<p><b>Identify the capacity (in units of demand) provided for growth</b></p> <p>Major capital works will generally provide additional capacity or benefits for long periods of time, often in clearly identified catchments, e.g., a new water treatment plant, which includes capacity, for future growth areas. Planning for these types of capital works will include estimating the spare capacity required for growth and the period over which this capacity will be used up. In these cases, DCs will be collected over the expected asset capacity life.</p> <p>Increases in asset capacity, are also factored into regular, ongoing renewal and upgrade work undertaken on network infrastructure. In estimating the cost proportion of additional growth-related capacity included in renewals and upgrades, the Council has assumed that capacity increases reflect the overall level of growth expected in the relevant catchment over the ten year period of the LTP.</p>
6	<p><b>Allocate the costs to each unit of demand for growth to determine the DC per HEU for each project, group of projects or activity for each catchment</b></p> <p>For each catchment, the development contribution is calculated by dividing the capital expenditure attributed to growth for a project, or group of related projects, by the identified number of HEU that are expected to benefit from the project or projects.</p> <p>The results are used to derive the schedule of DC charges.</p>

**6.2 Catchments**

For reticulated water and wastewater services the catchment will be the area in which buildings and dwellings can or will be able to connect to the system. DCs for Water Supply, Wastewater and Stormwater will be charged only when developments are created

that are able, or are expected to be able, to connect to a Council-owned or operated network.

- 6.2.1 Catchments for non-reticulated services will usually be District wide as they are open access systems or facilities that are accessible to all. Projects can be small and spread across the District making it impractical and inefficient to disaggregate expenditure for the purposes of calculating DCs for Land Transport and Recreation and Community Facilities. These will be charged District wide, as all residents of the District can benefit from the availability of these services.

### 6.3 Planning Assumptions

Council's expectation of additional asset capacity required during the life of the 2024-2034 LTP is based on planning assumptions. The assumptions include projected trends for the usually resident population, visitors, and non-resident ratepayers owning second or holiday homes in the District.

- 6.3.1 The 2024-2034 planning assumptions indicate that:
- (a) Under a medium growth scenario, the base peak population (usually resident population (URP); holiday home occupants, commercial accommodation and day visitor numbers combined) will decreased by up to -2.66% between 2024 – 2034.
  - (b) Under low, medium, and high growth scenario's the URP is set to steadily increase overall between 2024 and 2034. Under the high growth scenario, annual increases will range between 0.237% and 0.372%. Under the medium growth scenario, there will be an annual increase of between 0.239% and 0.335%. Under the low growth scenario, there will be an annual increase of between 0.121% and 0.293%.
- 6.3.2 Another indicator of growth is increase in the number of dwellings. Data from the latest census is not currently deemed accurate therefore the following measurement have been used to draw a steady growth conclusion.
- 6.3.3 Subdivision in the District has had a steady increase from 1997 through to 2008, when a sharp downwards trend set in. Between 1997 and 2008, a few growth peaks occurred with 2005/2006 showing a 4.19% growth rate. This trend did not continue and there was a sharp decline in subdivisions through to 2015. The trend seems to have been reversed with a more than doubling of approved consents in 2016 with steady growth since then.

Year	Subdivision	Land Use
2011/12	33 (1 Refused)	69
2012/13	24 (2 Refused)	33
2013/14	18	33
2014/15	13	34
2015/16	10	50
2016/17	21	55
2017/18	19	47 (2 returned)
2018/19	29 (4 returned)	41 (4 returned)
2019/20	33 (1 returned)	55
2020/21	28	41 (1 returned)
2021/22	39 (4 returned)	37 (1 returned)
2022/23	38 (1 returned)	27 (2 returned)



6.3.4 The number of building consents across the District has also increased as follows:

Year	Additions and alterations	Demolition	New building	Resited	Total
2011/12	194	14	117	14	339
2012/13	141	14	74	18	247
2013/14	156	12	82	14	264
2014/15	169	7	78	15	269
2015/16	163	0	83	15	261
2016/17	185	4	108	12	309
2017/18	191	0	123	19	333
2018/19	218	3	137	9	367
2019/20	164	0	107	8	279
2020/21	233	1	135	16	385
2021/22	180	0	122	22	324
2022/23	142	0	72	10	224

## 6.4 Growth Projects

The projects targeted for DCs have been identified as part of the AMPs 2024-34 for the respective Council activities. These will be updated and amended as necessary. The proportion of capital expenditure attributed to growth, levels of service increases and renewals is shown in the AMPs.

6.4.1 Growth components are based on Council's asset managers' estimates of the proportion of growth capacity.

6.4.2 The growth projects are summarised in the table in Schedule 1. This shows the capital expenditure attributed to growth by activity, the portion that will be funded by DCs and the portion funded from other sources of funding.

6.4.3 The cost of capital expenditure required for development will generally be recovered by means of DCs from developers. Exceptions to this include developments where grants or subsidies are received to fund development driven increases in infrastructural capacity.

6.4.4 The portion of capital expenditure that must be undertaken to renew infrastructure or to provide increased levels of service will be funded from Council's normal sources of funding.

## 6.5 Units of Demand

The base unit of demand used for each activity is the HEU. An HEU represents the demand one household unit places on network and community infrastructure, as summarised for each activity in Table 2. The following paragraphs explain how the HEU of demand was derived for each activity.

6.5.1 *Table 2: HEU of demand by Activity*

Activity	Catchment	Units	Demand per HEU
Land Transport	District wide	Vehicles movements/day	10

Activity	Catchment	Units	Demand per HEU
Wastewater	Urban Area	Litres per dwelling per day	730L
Water Supply	Urban Area	Litres per dwelling per day	1,000L
Stormwater and Flood Protection	Urban Area	Per lot	1

### 6.5.2 Demand per HEU for Land Transport

- (a) Council manages the roading network through the Land Transport activity as a District-wide network. This is because all individuals have access and may travel along all District roads.
- (b) For the purpose of the DC Policy, it is estimated that each residential household will undertake ten vehicle movements per day. This figure was generated through Transit New Zealand vehicle movement estimates and is consistent with Council's own observations of vehicle movements within the District.

### 6.5.3 Demand per HEU for Wastewater

- (a) The New Zealand Standard NZS 4404:2010 Land Development and Subdivision Infrastructure states that sewerage networks should be developed to cater for between 180-250 litres of wastewater per person per day (*NZS 4404:2010 Land Development and Subdivision Infrastructure, Standards New Zealand, para. 5.3.5, pg. 136.*). NZS 4404:2010 states that peak flows may be up to 4.5 times higher than this estimate. However, not all houses will use the maximum sewerage flow at any one time. Council has taken a conservative approach to the peak flow calculation and estimated that the peak flow averaged out across the community is approximately 1.7 times that of the average flow.
- (b) Most houses have approximately 2.4 people living in them at any one time. As stated above, Council has estimated that the maximum peak flow will be approximately 1.7 times the standard flow rate. Therefore, 2.4 people x 1.7 averaged peak flow x 180 litres of sewerage per person per day results in Council needing to provide capacity for 734 litres of sewerage per household per day. This figure has been rounded to approximately 730 litres of sewerage per household per day, this is the residential unit of demand for sewerage.

### 6.5.4 Demand per HEU for Water Supply

- (a) The calculation for the residential unit of demand for water supply is calculated in a similar way to the residential unit of demand for sewerage. Again, the New Zealand Standard NZS 4404:2010 Land Development and Subdivision Infrastructure Engineering estimates are used.
- (b) NZS 4404:2010 states that the average person requires an average of 250 litres of water per day (*NZS 4404:2010 Land Development and Subdivision Infrastructure, Standards New Zealand, para. 6.3.5, pg. 157.*). NZS 4404:2010 states that peak flows may be higher than the average flow. Council considers that it is unlikely that all houses will use the maximum amount of water at any one time. Council has estimated that the peak flow averaged across the community will be approximately 1.7 times the average flow.
- (c) Most houses have approximately 2.4 people living in them at any one time. As stated above, Council has estimated that the maximum peak flow will be approximately 1.7 times the standard flow rate. Therefore 2.4 people x 1.7 averaged peak flow x 250 litres of water per person per day results in Council needing to

provide capacity for 1020 litres of water per household per day. This figure has been rounded to approximately 1000 litres of water per household per day, this is the residential unit of demand for water supply.

#### **6.5.5 Demand per HEU for Stormwater and Flood Protection**

- (a) The measure for units of demand for Stormwater and Flood Protection is charged per lot in all urban and rural areas. This will apply to all developments regardless of the ability to manage Stormwater and Flood Protection within the development.
- (b) Stormwater and Flood Protection transport and disposal must, of necessity, be viewed as a network in which it is impossible to quantify accurately the actual impact of a given area over a 50 year asset life. Therefore, the above estimates have been taken as a reasonable engineering approximation of the impact of development.
- (c) All urban and rural developments are assumed to create one unit of demand. Therefore, each new lot created is an additional unit of demand in urban and rural areas. The DC payable will be levied on the number of additional lots of demand being created in excess of any such existing lots.
- (d) To avoid all confusion – all urban and rural areas regardless of the lot size will attract one DC per individual lot.

#### **6.5.6 Number of HEUs for Non-Commercial Developments**

- (a) For non-commercial developments one DC will be charged for every new allotment, irrespective of lot size and every household unit irrespective of gross floor area.
- (b) All urban and rural developments are assumed to create at least one HEU of demand regardless of the lot size.
- (c) For subdivisions, each new lot created is an additional HEU of demand in urban and rural areas. The DC payable will be levied on the number of additional lots of demand being created in excess of any such existing lots.

#### **6.5.7 Number of HEUs for Commercial Development**

- (a) Commercial units of demand are based on the lower of:
  - (i) The number of toilet pans required under the Building Act 2004 (See Compliance Document for New Zealand Building code Clause G1 Personal Hygiene – Second Edition, Department of Building and Housing, 2011.) with one toilet pan being equal to one HEU of demand; or
  - (ii) An estimate of the HEU's generated by a development using conversion factors per 100m<sup>2</sup> of gross floor area.
- (b) If there are no toilet pans, Commercial units of demand are based on the Gross Floor Area Conversion Factors method.

#### **6.5.8 Toilet Pans**

- (a) Commercial units of demand are based on the number of toilet pans required under the Building Act 2004 (*Reference to Building Code guidance document and the toilet pan calculator*). Each toilet pan required equals one HEU of demand. For example, a commercial building that requires two toilet pans under the Building Act 2004 is equivalent to two HEUs for each activity.
- (b) Commercial developments may place more load on Council infrastructure than non-commercial developments. For example, a restaurant/bar will use a greater amount of water and wastewater than a residential development. This same restaurant/bar will likely place a greater load on the roading network as individuals will often travel along Council-owned roads from their home to the restaurant/bar.
- (c) Council decided that the fairest proxy for determining the unit of demand for DCs for commercial developments is the number of toilet pans required under the Building Act 2004. The more toilet pans that are located in a commercial development directly impacts on the amount of wastewater and water used by that development.

The higher number of toilet pans also provide an approximation for the number of vehicle movements. For example, a café with one toilet pan is likely to see a lower number of vehicle movements per day than a restaurant/bar with two toilet pans. A supermarket with three toilet pans is likely to see more vehicle movements per day than a fish and chip shop with one toilet pan.

- (d) Visitor accommodations are treated as commercial units and will be charged DC by the number of toilet pans as per other commercial units.
- (e) Council is aware that the number of toilet pans provides a conservative estimate. However, Council has also considered the wider implication on the improved social and economic outcomes that non-residential developments can contribute to the community and feels that this conservative estimate is appropriate.

### 6.5.9 Gross Floor Area Conversion Factors

- (a) Conversion factors may also be used to convert non-residential developments to HEUs. Previously, Council determined that a commercial development with a gross floor area of 100m<sup>2</sup> was equivalent to a HEU. In practice, this did not give fair results. It tended to overestimate the demand on Council services, e.g., because a large portion of a site may be for storage. The result was that special assessments were required.
- (b) The conversion factors in Table 3 are to be used. These are comparable with those used by other Councils. They have been tested against past assessments for DCs for commercial developments and give fair results.

6.5.10 *Table 3: Conversion factors commercial developments to HUEs*

Activity	HEUs of demand
Land Transport	0.4 per 100m <sup>2</sup> Gross Floor Area
Wastewater	0.25 per 100m <sup>2</sup> Gross Floor Area
Water Supply	0.25 per 100m <sup>2</sup> Gross Floor Area
Stormwater and Flood Protection	1 HEU irrespective of Floor Area

### 6.5.11 Example

To calculate the development contribution for a commercial building of 350m<sup>2</sup>, if the DC for land transport for 1 HUE is \$3000, the formula is:

$$\begin{aligned} \text{DC land transport} &= [0.4 \times (350/100)] \times 3000 \\ &= \$4,200 \end{aligned}$$

## 7 SPECIAL ASSESSMENTS

In addition, Council reserves the right, at its sole discretion, to undertake a special assessment where a development requires a special level of service, is of a type or scale which is not readily assessed in terms of a Household Equivalent Unit of Demand using the toilet pan or gross floor area conversion factors, or the results of the assessment using toilet pans or conversion factors are unfair.

## 8 DC FORMULA

The amount of a DC to be charged for 1 HEU, for each activity and each catchment, is determined as follows:

8.1 Where the asset capacity life has been estimated for a project, or group of projects:

$$\text{DC} = C/N_b$$

Where:

C = capital expenditure of creating the asset

$N_D$  = design capacity life expressed in HEUs

8.1.1 *Example:*

Council is proposing capital expenditure of \$10,000,000 to build a new wastewater treatment plant to replace the existing plant and cater for future growth. In planning for the new plant, asset managers have allowed for growth in HEUs of 25% over a period of 25 years. The example assumes this equals 1000 HEUs. The contributions to be collected from the growth community will be \$2,500,000/1000, or \$2,500 per HEU. Collection of DCs may extend beyond the period of a LTP.

8.2 In all other cases:

$$DC = C/N_N$$

Where:

C = capital expenditure attributed to growth

$N_N$  = the number of HEUs forecast over 10 years

8.2.1 *Example:*

Council is proposing capital expenditure of \$1,000,000 for regular, ongoing renewal and upgrade of water supplies in a catchment. Of this, 5% is attributed to growth. The example assumes this equals 50 HEUs. The contributions to be collected from the growth community will be \$50,000/50, or \$1,000 per HEU.

8.3 When a developer triggers the calculation of a DC charge, even though the charge for each activity will be calculated separately, the charges will be added together and levied as one aggregated DC charge.

## 9 EVENTS AND ACTIVITIES TRIGGERING THE CHARGING OF DCs

DCs will be required when there is a subdivision or development generating a need for additional network infrastructure capacity and such additional network infrastructure capacity is planned for in the LTP. Pursuant to Section 199(2) of the LGA, a DC may be required to be paid, in full or in part, for capital expenditure for network infrastructure already incurred by the Council in anticipation of the subdivision or development.

9.1 Several developers are often involved with developing the same piece of land consecutively. In such situations, it is important that Council is careful to avoid charging DCs twice for the same development (Section 200 of the LGA). This risk is effectively mitigated by only charging for developments over and above any previous development on the site.

9.2 Council takes DCs at the time of resource consent, building consent or service connection (Section 208 of the LGA).

## 10 CREDITS ACKNOWLEDGING HISTORICAL DEMAND

A Lot or building that existed prior to the DC Policy coming into effect on 1 July 2006 is deemed to have an Historical Credit and will not need to pay DCs until it creates extra demand by being developed (i.e., the lot is further subdivided, another dwelling or HEU of demand is created).

10.1 Where a building has been relocated from one site to another, a credit for DCs remains with the title holder of the site or lot where the building was.

- 10.2 Credits are also used where DCs or financial contributions have been assessed and paid on lots or buildings in relation to the same site and same activity or purpose (section 200(1)(ba) of LGA). Credit will be given for these payments to avoid DCs being charged twice.
- 10.3 Council may, in accordance with section 200(4) of the LGA require another development contribution for the same purpose if the further development contribution is required to reflect an increase in the scale or intensity of the development since the original contribution was required.

## 11 EXAMPLES

### 11.1 Examples of DCs for new developments

- 11.1.1 If a vacant Lot (Lot A) is subdivided into two Lots (Lot A and Lot B), then one DC will be collected on the new (created) Lot B. The parent lot (Lot A), if subdivided before 2006 has an historic credit. If Lot A came into being after this policy was first adopted DCs should have already been paid.
- 11.1.2 If Lot B is then on-sold and the purchaser subdivides the Lot into a further 11 Lots, DCs will be charged on 10 of the 11 Lots because one DC has already been paid. If a dwelling is then erected on each Lot, DCs will not be applicable because they were collected at subdivision stage (unless the DC Policy in existence at the time of building consent application includes a DC for a new activity or purpose). However, if any extra dwellings are built on any of the Lots further DCs will be charged per dwelling unit.
- 11.1.3 If a portion of land with an existing use, e.g., farming, forestry, or other activity, is subdivided in two Lots with the intention of retaining one Lot in its existing activity and on-selling the other Lot, then one development contribution will be collected from the Lot being on-sold. No DC will be charged on the Lot continuing its existing activity. However, if this activity ceases to exist on the land and the Lot is further developed, e.g., dwelling built or further subdivided, then DCs will be charged at the time of development.
- 11.1.4 If a Lot with an existing dwelling is subdivided and the new Lot (legal title) being created is vacant land (no dwelling) then a DC will be charged on the new (created) Lot.
- 11.1.5 If land is being subdivided solely to create a new Lot for an existing building or business, then DC will not be charged. However, if this activity ceases to exist on the land and the Lot is further developed, e.g., dwelling built or further subdivided, then DCs will be charged at the time of development.

*Note: All portions of land being subdivided solely to create a new Lot (legal title) or with an existing use will require approval.*

- 11.1.6 Example for extensions to existing buildings: Extensions to existing non-commercial dwelling houses will not trigger the payment of an additional DC. An extension to an existing commercial building will trigger the payment of DCs for the additional units of demand created for that development.
- 11.1.7 Example for redevelopments: If an existing building is destroyed or demolished, or removed and the lot redeveloped in such a way that additional demand is placed on Council infrastructure, then DCs will be levied for the additional units of demand.

For example, where a commercial building with one toilet pan is demolished and replaced by a new development requiring two toilet pans in terms of the current Building Code, then only one extra DC will be charged.

- 11.1.8 If an existing development is destroyed, demolished or removed and rebuilt with the same number of toilet pan(s) (no extra demand on Council services), then no DC will be charged.

*Note: To avoid all confusion, if an existing development is destroyed, demolished, or removed and rebuilt to add no extra demand on Council services, then no DC will be charged. If it is replaced by a building requiring more toilet plans than the building it is replacing (other than a private residence), then it will be charged DCs according to the number of extra (over and above the original) toilet pans.*

## **11.2 Relocating Houses Within the District (Historical Credits)**

When a house is moved from one location to another within the District, the Historical Credit remains with the parent lot (the lot from where the house or building was removed). The relocated house or building will attract a DC if the lot on which it is being placed has not already had an existing house or building that has been removed or destroyed, or it is adding to the total number of buildings on the lot.

## **12 RECONSIDERATION, REMISSION, POSTPONEMENT AND OBJECTIONS TO DCS**

### **12.1 Reconsideration of DC Charges**

A person has the right, under section 199A of the LGA, to request Council to reconsider the requirement to pay a DC.

- 12.1.1 A formal application for a reconsideration shall be made in writing to Council within 10 working days after the assessment of DCs has been notified to that person (LGA Section 199A(3)).

- 12.1.2 The request for reconsideration must set out the grounds for the person believing that:
- (a) The development calculation is incorrectly calculated or assessed under this DC Policy; or
  - (b) The DC Policy has been incorrectly applied; or
  - (c) The information used to assess the person's DC against this Policy, or the way it has been recorded or used when requiring a DC, is incorrect (LGA Section 199A(1)).

- 12.1.3 In reconsidering the DC required Council, or its duly authorised delegate, may, at its full discretion, decide whether to uphold or reduce the original amount of DC required.

- 12.1.4 There are no specific conditions or criteria that apply in relation to the reconsideration of DCs. However, in making its decision, Council, or its duly authorised delegate, may take into account:
- (a) Appropriate statutory considerations, including matters under the LGA.
  - (b) What is considered fair and reasonable.
  - (c) Precedent.
  - (d) Integrity of the DC Policy.
  - (e) Appropriateness of the DC Policy to a particular development.
  - (f) Authorisation for a service connection.
  - (g) Use of the utility for which the contribution is levied.
  - (h) Previous history of the site.

- (i) Impact of changing regulations and other external factors (e.g., Building Regulations).

12.1.5 Council or its duly authorised delegate will consider and give written notice of the outcome of the reconsideration within 15 working days of receiving all the required relevant information relating to the request in accordance with the LGA. (Section 199B)

12.1.6 A person who has received a reconsideration may object to the outcome in accordance with Section 199C of the LGA 2002 (Section 199B(2)).

## **12.2 Requests for Remission or Postponement of DC**

A formal application shall be made in writing to Council. This must set out the reasons for the request and it must be made within 15 working days after the assessment of DCs is notified to that person. The fee for an application to have a remission or postponement of a DC is set out in the Fees and Charges Manual. No application will be considered without the fee being paid.

12.2.1 Council, or its duly authorised delegate, will consider the request as soon as practicable. If a hearing is to occur, Council will give at least five working days' notice of the commencement date and time, and the place, of a hearing of the request by the person.

12.2.2 In considering the DC required, Council, or its duly authorised delegate, may, at its full discretion, decide whether to uphold or reduce the original amount of DC required.

12.2.3 There are no specific conditions or criteria that apply in relation to the remission, postponement, or refund of DCs. However, in making its decision, Council, or its duly authorised delegate, may take into account:

- (a) Appropriate statutory considerations, including matters under the LGA.
- (b) What is fair and reasonable.
- (c) Precedent.
- (d) Integrity of the DC Policy.
- (e) Appropriateness of the DC Policy to a particular development.
- (f) Authorisation for a service connection.
- (g) Use of the utility for which the contribution is levied.
- (h) Previous history of the site.
- (i) Impact of changing regulations and other external factors (e.g., Building Regulations).

12.2.4 Having heard the request, Council or its duly authorised delegate will make its decision and communicate that decision in writing to the person making the request.

## **12.3 Objections**

A person has the right to object to a DC under section 199C and 199D of the LGA.

12.3.1 A person may lodge an objection whether or not they had first requested Council to reconsider the requirement to pay a DC.

12.3.2 The grounds on which a person can make a DC objection are set out in section 199D of the LGA. These are that Council:

- (a) Failed to take into account features of the objector's development that, on their own or cumulatively with those of other developments, substantially reduce the impact of the development on requirements for community facilities.



- (b) Required payment of a DC for community facilities not required by, or related to, the objector's development (whether on its own or cumulatively with other developments).
- (c) Required a DC in breach of Section 200 of the LGA (which relates to limitations applying to requirements for DCs).
- (d) Had incorrectly applied its DC Policy to the objector's development.

12.3.3 The procedure for DC objections under Section 199C are set out in schedule 13A of the LGA.

12.3.4 A person must lodge a DC objection by serving a notice of the objection on the Council within 15 working days after the date on which the person received notice of the level of DC that is required.

## **13 OTHER MATTERS**

### **13.1 Refunds**

Where Council has required DCs on a resource or building consent application and either no development is undertaken on the site within ten years, or the resource or building consent is surrendered, lapses, or expires, then the original DC amount less actual and reasonable administrative costs will be refunded to the consent holder (Section 201(1)(c) and 209 of the LGA). This will occur at the time the refund comes due. This refund does not prevent Council requiring DCs on future resource or building consent applications.

## **14 APPLICATION DATES**

Any application for resource consent, building consent or service connection received by the Council on or after 1 July 2024 is required to pay the development contribution assessed as payable under this Policy.

14.1 Applications for resource consent, building consent or service connection received prior to 1 July 2024 are required to pay the DCs assessed as payable under the previous DCs Policy which applied from 1 July 2021.

<b>Relevant Delegations</b>
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As per Delegations Manual.

<b>Annotations</b>
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<b>Date</b>	<b>Description</b>
June 2006	Adopted as part of LTP process
June 2009	Reviewed, amended and adopted as part of LTP process
June 2012	Reviewed, amended and adopted as part of LTP process
June 2013	Fees Updated
Aug 2014	Amended to comply with the Local Government Act 2002 Amendment Act 2014
June 2015	Reviewed, amended and adopted as part of the LTP process
June 2018	Reviewed, amended and adopted as part of the LTP process
October 2020	Desktop Review, Draft Policy to Council Workshop Oct 2020
June 2021	Schedule 2 fees and charges updated and adopted
June 2024	Reviewed, amended and adopted as part of the LTP process

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## Schedule 1: Schedule of Assets for which DCs will be Used

- 1.1 Section 201A of the LGA 2002 Amendment Act 2014 and Section 106 and 201 of LGA 2002 sets out matters that must be included in the schedule to the DC Policy. Those matters must include:
- Each new asset, additional asset, asset of increased capacity, or programme of works for which the DC requirements set out in the DC Policy are intended to be used or have already been used; and
  - The estimated capital cost of each asset described in paragraph (a); and
  - The proportion of the capital cost that the territorial authority proposes to recover through DCs; and
  - The proportion of the capital cost that the territorial authority proposes to recover from other sources.
- 1.2 The schedule must also include assets for which capital expenditure has already been incurred in anticipation of development.
- 1.3 The table below describes the programme of works which have a growth component attributed to them by catchment and category of works. The detailed list of projects which make up each category are included in AMPs for 2024-34 and in the methodology documents that support the calculation of DC charges.

Growth Programme of Works 2024-34	Cost attributed to growth	%from DCs	%from Other Sources
<b>District-Wide Land Transport</b>			
Seal Extensions	616,004	100%	0%
<b>Taumaranui Wastewater</b>			
Headworks, treatment and network	315,700	20%	80%
<b>Ohakune Wastewater</b>			
Headworks, treatment and network, pump station and storage	318,800	20%	80%
<b>Raetihi Wastewater</b>			
Headworks, treatment and network	221,200	20%	80%

## Schedule 2: Development Contribution Charges

2.1 Together, the increase in rating units and the continued increase in the number of building consents for new dwellings, and other matters, allow Council to make an assumption that there is growth in the District. This growth is summarised in the Policy, and in more detail in the Growth Assumptions in the LTP.

2.2 The contribution cost per HEU is calculated by using the generic DC formula shown in the methodology.

$$DC = C/N_N$$

where:

**C** = capital expenditure attributed to growth

**N<sub>N</sub>** = the number of HEUs forecast over 10 years

2.3 The table below describes the total development contribution payable from 1 July 2024.

	Land Transport \$	Water Supply \$	Wastewater \$	Stormwater and Flood Protection \$	DC 2023/24 \$
All areas of the District (other than those stated below)	3,996	0	0	0	3,996
Taumarānui (Urban)	3,996	0	1,665	0	5,661
Ohakune (Urban)	3,996	0	327	0	4,323
Raetihi (Urban)	3,996	0	1,475	0	5,471

2.4 Urban means a property is, or will be, able to be connected to a reticulated water or wastewater system.