

Development Contributions Policy 2009

Council's Development Contributions, or Financial Contributions Policy (under Sections 102(4) and 106 of the Local Government Act 2002) is outlined below.

Note that this Policy was the subject of an amendment which was carried out in parallel with the preparation of the 2011/12 Annual Plan. The amendment (which was subject to the special consultative procedure) revised the Development Contributions Policy to enable contributions to be sought to fully or part-fund the construction of new infrastructure in the Western Industrial/Aerodrome Road Area."

The amendment increased the development contribution rates per HUE for land transport, water supply, wastewater and stormwater.

PART 1 ■ Introduction

Council is required under the Local Government Act 2002 (LGA 2002) to have a policy on development contributions or financial contributions in its Long-Term Council Community Plan (Ten Year Plan). This policy on development contributions replaces the previous Development Contributions Policy 2008.

The substantive part of this policy is contained in Part 2. This sets out how and when development contributions are assessed, as well as provisions relating to payment of contributions such as timing of payments, enforcement, remission and postponement of payments. This part is read with the schedule of contributions at the end of the policy.

Part 3 provides background to Part 2. It sets out, at a conceptual level, how the charges have been developed.

A summary of the financial contribution provisions in the Gisborne District Combined Regional Land and District Plan, which were adopted under the Resource Management Act 1991, is provided in Part 4 of the Policy.

Part 5 addresses the review of the Development Contributions Policy and revision of the contribution rates.

The Schedule to the policy contains further detail about the development and implementation of the policy. This includes the development contribution rates, and development contribution catchment maps.

PART 2 ■ Assessment of Development Contributions

2.1 COMMENCEMENT

Relevant applications (as set out in section 2.2) lodged on or after 1 July 2009 will be subject to assessment for development contributions under this policy.

Applications lodged on or after 1 July 2008 and before 1 July 2009 may be subject to assessment under the Development Contributions Policy 2008.

In addition, applications for resource consent may also be subject to assessment for financial contributions under the Part-Operative Combined Regional Land and District Plan.

2.2 APPLICATIONS ASSESSED

Gisborne District Council will assess the following types of applications to determine whether development contributions are required under this policy:

- ▶ Applications for subdivision resource consent under the Resource Management Act 1991.
- ▶ Applications for land-use resource consent under the Resource Management Act 1991 or building consent under the Building Act 2004 where the consent is associated with:
 - the creation of new dwellings (including relocation of existing houses) on a site
 - the creation of new buildings or extension of the gross floor area of buildings
 - the change in use of a building
 - an increase in the design occupants of a visitor accommodation or residential services activity
 - an increase in the amount of impervious surfaces

- ▶ applications for service connection including water, wastewater, trade waste and stormwater applications.

Note: Designations are not assessed, but the development may be assessed at building consent stage.

The assessment will be made against the first consent application lodged for a development and a reassessment made on every subsequent consent application. Provided that the Council may choose not to assess a subdivision or land-use resource consent for a non-residential development due to uncertainty about the nature of the development and instead delay assessment to building consent stage. The Council may also delay assessment of residential development in the case of land-use consent to building consent stage.

Each reassessment will take into account the number of units of demand previously assessed and determine whether the development still generates the same number of units of demand.

2.3 ACTIVITIES FOR WHICH DEVELOPMENT CONTRIBUTIONS ARE ASSESSED

Applications will be assessed for contributions for five different activities, namely:

- ▶ reserves and open spaces (includes land acquisition principally for public space as well as development of community infrastructure associated with reserves)
- ▶ land transport (roads and other land transport infrastructure)
- ▶ water supply
- ▶ wastewater
- ▶ stormwater.

2.4 METHOD FOR ASSESSMENT OF CONTRIBUTIONS

2.4.1 Formula for Calculating Contributions

Contributions (C) for Reserves and Open Spaces, Land Transport, Water Supply, Wastewater and Stormwater will be calculated according to the following formula:

$$C = H \times R$$

Where:

H = Number of Household Unit Equivalents (HUEs) or units of demand calculated in accordance with section 2.4.3; and

R = The applicable rate per HUE for the type of contribution (activity) and the catchment associated with the development (refer to Part 2 of the Schedule).

2.4.2 Catchments

The catchments for charging each type of contribution are set out below:

- ▶ Reserves and Open Spaces – district-wide.
- ▶ Land Transport - district-wide.
- ▶ Water Supply – Gisborne Urban Area (water and wastewater catchment).
- ▶ Wastewater - Gisborne Urban Area (water and wastewater catchment).
- ▶ Stormwater – Gisborne Urban Area (stormwater catchment).

Maps of the Water Supply, Wastewater and Stormwater catchments are provided in Part 4 of the Schedule.

If for any reason a development falls outside the catchment and is still served by the network infrastructure in the adjacent catchment, then the calculation of contributions shall be as if the development was located within the adjacent catchment.

2.4.3 Household Unit Equivalents (HUEs)

2.4.3.1 Assessment on the Basis of Multipliers

Subject to 2.4.3.2, the number of household unit equivalents (HUEs) associated with a development will generally be assessed on the basis of the standard multipliers set out below, less any credits provided for in 2.4.3.3.

a) Residential Developments

Activity for which Contributions Assessed	Unit of Measure	Multiplier (HUE/Unit of Measure)
All	Residential allotments or allotments used for residential purposes OR the first dwelling unit on an allotment.	1 (allotments and dwelling units of 60m ² or more gross floor area). 0.5 (dwelling units less than 60m ² gross floor area).
All	Every second and subsequent dwelling unit on an allotment	1 (60m ² or more gross floor area). 0.5 (less than 60m ² gross floor area).

b) Non-Residential Developments

Activity for which Contributions Assessed	Type of Development	Unit of Measure (U)	Multiplier (M) (HUE/unit of measure)
Land Transport	Commercial (excluding retail)	GFA of buildings (in 100 m ²)	1.3
Land Transport	Retail	GFA of buildings (in 100 m ²)	Retail activity less than 4,000m ² GFA: 3.4-(0.016x GFA of the activity /100) Retail activity 4,000m ² or more GFA: 1.8
Land Transport	Restaurants, Cafes and/or Bars	Primarily dine-in: The number of diners/patrons for which the development is designed; or Primarily takeaways GFA of buildings (in 100 m ²).	Primarily dine-in: 0.046 Primarily takeaways: 3.4
Land Transport	Health and/or Community Services	GFA of buildings (in 100 m ²)	3.4
Land Transport	Heavy Manufacturing	GFA of buildings (in 100 m ²)	1.3
Land Transport	Other Industry / Servicing	GFA of buildings (in 100 m ²)	2.8
Land Transport	Warehousing/Storage	GFA of buildings and/or area of outdoor storage area (in 100 m ²)	0.42

Activity for which Contributions Assessed	Type of Development	Unit of Measure (U)	Multiplier (M) (HUE/unit of measure)
Land Transport	Commercial (excluding retail)	GFA of buildings (in 100 m²)	1.3
Land Transport	Visitor Accommodation	The number of design occupants	0.15
Land Transport	Residential Services	The number of design occupants	0.14
Land Transport	Education	GFA of buildings (in 100 m ²)	2.5
Land Transport	Community Infrastructure	GFA of buildings (in 100 m ²)	0.80
Land Transport	Agriculture / Forestry	GFA of buildings (in 100m ²)	0
Water and Wastewater	Commercial (excluding retail)	GFA of buildings (in 100 m ²).	0.33
Water and Wastewater	Retail	GFA of buildings (in 100 m ²)	0.21
Water and Wastewater	Restaurants, Cafes and/or Bars	Primarily dine-in: The number of diners/patrons Primarily takeaways: GFA of buildings (in 100 m ²)	Primarily dine-in: 0.049 Primarily takeaways: 1.5
Water and Wastewater	Health and/or Community Services	GFA of buildings (in 100 m ²)	1.2
Water and Wastewater	Heavy Manufacturing or Other Industry/ Servicing	GFA of buildings (in 100 m ²)	0.23
Water and Wastewater	Warehousing / Storage	GFA of buildings and/or area of outdoor storage area (in 100 m ²)	0.16
Water and Wastewater	Visitor Accommodation	The number of design occupants	0.17
Water and Wastewater	Residential Services	The number of design occupants	0.38
Water and Wastewater	Education	GFA of buildings (in 100 m ²).	0.29
Water and Wastewater	Community Infrastructure	GFA of buildings (in 100 m ²)	0.18
Water and Wastewater	Agriculture / Forestry	GFA of buildings (in 100m ²)	0
Stormwater	All Non-Residential	Impervious surfaces (in 100 m ²). Excludes impervious surfaces that form public roads and footpaths.	0.29

c) Additional Rules Relating to Assessment on the Basis of Multipliers

- i) Each application is assessed as a residential development, non-residential development, or a mixture. Mixed developments are assessed under the provisions that apply to each of those types of developments.
- ii) Units of demand will only be assessed for Water or Wastewater if a connection to the network is or will be available.
- iii) Allotments subject to an amalgamation condition, or that will be subject to an amalgamation condition, shall be considered as one allotment for the purpose of calculating HUEs.
- iv) For the avoidance of doubt, dwelling units of less than 60m² gross floor area that are classified as minor dwelling units under the Combined Regional Land and District Plan will be assessed as half a unit of demand if a household unit could potentially reside in the building.
- v) Non-residential developments will generally be classified as a single development type, ie, the one that best represents the dominant or primary activities associated with the development, and ancillary activities will not be considered separately. However, where a development has distinct parts, the Council may, in its discretion, consider these parts separately. For example, the wine manufacturing component of a winery may be considered separately from the restaurant component. Any part of the building used or intended to be used to accommodate households will be excluded from the calculation.

- vi) Where a non-residential development is not described by the types of non-residential development identified above, the multiplier for the type of development with the most similar demand characteristics will be used.
- vii) Any outdoor storage/display area for goods, eg, garden centre display areas, will be included in the calculation of GFA for retail developments.
- viii) Each retail premise in a development shall be considered separately to determine the number of HUEs for Land Transport.
- ix) For multi-storey, multi-unit residential developments, the number of HUEs for stormwater development contributions will be based on the number of dwelling units or allotments (as appropriate) on any one level of the development, selected so that the maximum number of HUEs results.
- x) Where a residential and non-residential aspect of a development share a common footprint, the number of HUEs for stormwater shall be based on the approach for non-residential development, ie, impervious surfaces.

2.4.3.2 Assessment on the Basis of Actual Anticipated Demand

If the actual demand associated with a non-residential development is likely to be significantly different, that is more than twice as much or less than half as much, than what is implied by the multipliers and demand assumptions in Parts C and D of the Schedule, the Council may, in its discretion, choose to calculate the number of HUEs on the basis of the actual anticipated demand, less any credits provided in 2.4.3.3.

In determining whether to use this alternative calculation the Council will consider the likelihood that the demand will change overtime and whether, therefore, the standard approach may be more appropriate.

An assessment on the basis of actual anticipated demand shall be made by estimating the actual demand associated with the development for each service, in the units of measure set out in Part 3 to the Schedule, and dividing this by the demand assumptions for a HUE, which are also set out in Part 3 to the Schedule. The calculation may be adjusted to reflect other factors that influence the design of infrastructure, peak demand issues, measures to mitigate demand.

2.4.3.3 Assessment of Credits for Historic Development

Historic credits acknowledge prior development of the site which has ceased and will be applied against the number of units of demand assessed for a development under 2.4.3.1 or 2.4.3.2. The onus is on the applicant to include details in the application of the historic development.

Credits can only be used for a development on the same site and cannot be transferred from one activity to another.

The number of credits available is calculated under the policy that applies at the time of the assessment of the development. Credits are calculated in terms of 2.4.3.1 or 2.4.3.2 for the prior development.

The additional credits will not be refunded if the number of units of demand assessed for any activity for the historic development exceed the number of units of demand assessed for the new development. However, the historic development may be considered again when assessing credits for any future development.

Credits for historic non-residential development will only be awarded if the elements that imply that development (ie, the buildings, impervious surfaces, households etc.) were present in the five years prior to assessment.

2.4.4 Standard Reductions

The value of the development contribution assessed will be reduced for the following reasons:

- a) Esplanade Reserves
Esplanade reserves or strips required under the Resource Management Act 1991 and associated with the development will be offset against development contributions payable for Reserves and Open Spaces, up to the value of the contribution payable.

Valuation of the Esplanade Reserve or Strip will be GST exclusive and shall be assessed in terms of section 62(1)(b) of the Public Works Act 1981. The date of valuation shall be no more than 12 months before the requirement for the contribution.

- b) Special Circumstances
Special circumstances may apply in relation to some service connections which will be taken into account to reduce the development contribution payable eg, a targeted or special rates levy has been agreed pending the installation of a new service and as such provides for that property to connect to the services when commissioned. Under these circumstances the special agreement would be honoured and no development contribution would be applied, except for where the demand proposed is greater than that envisaged by the special rate and a development contribution, or part thereof, will be charged.

2.4.5 Reassessment of a Development

Where a development becomes subject to assessment under more than one development contribution policy or version of a policy then the assessment of units of demand under the most recent policy or version shall prevail for the development as a whole.

Any increases in the number of units of demand (HUEs) shall be charged at the rate provided in the policy or version that applies at the time of the reassessment; while any reductions in the number of units of demand assessed for the development shall be refunded at the rate in the policy or version that applied at the time the units of demand (for which the refund is given) were assessed.

For the avoidance of doubt, no refund shall be given or additional contributions required because the rate per unit of demand has changed.

2.4.6 Money or Land

The LGA 2002 provides that a development contribution for Reserves may be money or land, or both. Under this policy the contribution for Reserves and Open Spaces shall be made in money unless, at the sole discretion of the Council, land is accepted.

In general, Council will only accept land as a development contribution for Reserves and Open Spaces where it is specifically a recreation, scenic or historic reserve and will be vested as such on subdivision or otherwise classified. However, Council may also accept easements for access, etc to Reserves and Open Spaces or for recreational purposes. In determining whether to accept land the Council will have regard to existing policies eg, the Open Space Strategy for Gisborne City and Wainui and the Walking and Cycling Strategy. Drainage reserves and areas within reserves which are used primarily for drainage (eg, retention pond areas), while they may be accepted by Council, will not form part of a development contribution for Reserves and Open Spaces.

2.4.7 Special Circumstance Agreements

Where it is in the best interests of all parties (the developer, the community and Council), the Manager of Engineering and Works and the Manager of Environment and Planning, on behalf of Council,

may enter into a Special Circumstance Agreement with a Developer. The agreement must clearly state any departures from the standard development contribution calculation, and the reasons for entering into the agreement. Entering into a Special Circumstance Agreement will always be at the discretion of Council.

Reasons for entering into a Special Circumstance Agreement may include that:

- (a) the developer seeks infrastructure to be provided over a different timeframe from that planned in the capital works programme
- (b) services can be provided in a manner different to Council's standard procedures/guidelines
- (c) the Council seeks to acquire land for Reserves or Open Spaces
- (d) the development includes works which duplicate works provided for in Council's Ten Year Plan
- (e) the development requires service levels in excess of what would generally be provided for in the zone and the Council considers that it is appropriate to provide the service.

2.5 PAYMENT and ENFORCEMENT POWERS

Until development contributions required in relation to a development have been paid Council may, pursuant to section 208 of the LGA 2002:

- (a) in the case of a development contribution required when granting resource consent under the Resource Management Act 1991, withhold the section 224(c) certificate on a subdivision and prevent the start of a resource consent
- (b) in the case of a development contribution required when granting a building consent under the Building Act 2004, withhold a code compliance certificate to be issued under Section 95 of the Building Act 2004

- (c) in the case of a development contribution required for an authorisation for a service connection, withhold that service connection
- (d) in each case, register the unpaid development contribution under the Statutory Land Charges Registration Act 1928, as a charge on the title of the land in respect of which the development contribution was required.

2.6 REVIEW - REFUNDS - POSTPONEMENTS

2.6.1 Refunds

A refund of money or return of land will occur in the circumstances set out in sections 209 and 210 of the LGA 2002 where applicable.

Costs already incurred by the Council in relation to the development or building and its discontinuance will be deducted.

For the avoidance of doubt, Council will not refund a contribution where a specific capital project does not proceed, except when the service for which the contribution was taken is not provided.

2.6.2 Postponements

Postponements on payment of a development contribution will not be applied.

2.6.3 Review Process

Any applicant for a resource consent, building consent or service connection may seek a review by the Manager of Engineering and Works and the Manager of Environment and Planning, on behalf of Council, as to whether the policy has been applied correctly. Any such request must be made in writing within 20 working days of the Council advising that a development contribution is required, or within 20 working days after the consent has been granted, whichever occurs later.

The request must clearly state the site and specific application subject to the contribution, the particular contribution(s) to be reviewed, and any matters the applicant would like Council to take into consideration when undertaking the review.

The applicant will be advised of the result of the review in writing and within 20 working days of the review request being considered.

At this time there is no charge for the administrative costs of processing these reviews. The Council may introduce a charge at a later date.

2.7 OTHER MATTERS

2.7.1 Goods and Services Tax (GST)

Once all the development contribution calculations are complete, GST shall be added to the final invoice as required by the legislation and/or regulation of the day.

2.7.2 Valuations

Where it is necessary to value land to ensure the maximum contribution requirement in section 203(1) of the Local Government Act 2002 is not exceeded, or to assess the value of an esplanade reserve or contribution in land, the value shall be assessed in terms of section 62(1)(b) of the Public Works Act 1981. The date of valuation shall be no more than 12 months before the requirement for the contribution.

In addition, where it is necessary to value land to ensure the maximum contribution requirement in section 203(1) Local Government Act 2002 is not exceeded, valuation of the additional allotments created by subdivision shall be calculated as the average value (the mean) of all post-development allotments intended or capable of supporting residential development.

2.7.3 Applications to Vary Consents or the Conditions of Consent

Where applications are received to vary a consent or the conditions of a consent, a new assessment will be made reflecting any increase or reduction on the demand for infrastructure and/or services that would result in a change to the household unit equivalents (HUEs) relating to the original consent application.

2.7.4 Council Developments

The Council is exempt from paying any development contributions on any development that itself is a capital expenditure for which development contributions are required. The Council is otherwise required to pay development contributions as assessed under the policy.

PART 3 ■ Explanation of the Method for Developing the Schedule of Charges

3.1 RELEVANT PROVISIONS IN THE LOCAL GOVERNMENT ACT 2002

Relevant provisions in the Local Government Act 2002 include the following:

- Section 199, provides the basis on which development contributions may be required –
 - (1) Development contributions may be required in relation to developments if the effect of the developments is to require new or additional assets of increased capacity and, as a consequence, the territorial authority incurs capital expenditure to provide appropriately for –
 - (a) reserves:
 - (b) network infrastructure
 - (c) community infrastructure.

Subsection (2) clarifies that Council may require a development contribution in relation to capital expenditure already incurred by the territorial authority in anticipation of the development. Subsection (3) states that in subsection (1) effect includes the cumulative effects that a development may have in combination with another development.

- Section 203, sets the maximum contributions for reserves and for network infrastructure and community infrastructure -

- (1) Development contributions for reserves must not exceed the greater of—
 - (a) 7.5% of the value of the additional allotments created by a subdivision; and
 - (b) the value equivalent of 20 square metres of land for each additional household unit created by the development.
- (2) Development contributions for network infrastructure or community infrastructure must not exceed the amount calculated by multiplying the cost of the relevant unit of demand calculated under clause 1 of Schedule 13 by the number of units of demand assessed for a development or type of development, as provided for in clause 2 of Schedule 13.

- Schedule 13, contains the general methodology for determining the maximum development contribution in respect of a community facility or an activity or group of activities for which a separate development contribution is to be required. In short, this requires identification of the costs, as set out in the Ten Year Plan, which the Council expects to meet increased demand resulting from growth and to attribute these costs to units of demand. Clause 2 further requires that the Council demonstrate that the units of demand are attributed to developments on a consistent and equitable basis.

3.2 THE CAPITAL WORKS PROGRAMME

Development contributions are only charged in relation to capital projects identified in the Ten Year Plan. This includes both current projects identified in the Activity Management Plans, as well as past projects identified in Part 5 of the Schedule.

The Capital Works Programme, in turn, is founded on a range of considerations, including:

- ▶ provisions of the LGA 2002, such as the purpose of local government (section 10), decision-making requirements (sections 76-81), the principles relating to local government (section 14)
- ▶ the community outcomes identified in the Ten Year Plan under the LGA 2002
- ▶ projections of growth and other changes in the community which could drive changes in demand
- ▶ service provision levels and standards, which define the services being provided to the community in terms of criteria
- ▶ plans and strategies.

Development contributions have been considered as a potential funding source for the following activities-

- ▶ Reserves and Open Spaces Activity
- ▶ Land Transport Activity
- ▶ Water Supply Activity
- ▶ Wastewater Activity
- ▶ Stormwater Activity.

Other types of network and community infrastructure capital projects could potentially be considered for development contributions in the future.

The Council has used the best information available at the time of developing this policy to estimate the capital expenditure. However, it is likely that actual costs will differ from estimated costs due to factors beyond the Council control, such as changes in the price of raw materials, labour, etc and the timing of capital works taking place.

3.3 UNIT OF DEMAND

The Household Unit Equivalent (HUE) is the base unit of demand used to apportion costs between different types of development in the calculation of development contributions. It represents the assumed demand for the service generated by an average household, as set out in Part 3 of the Schedule.

Every dwelling with a gross floor area of 60m² or more is assumed to represent one HUE of demand for each service. Dwellings with a gross floor area of less than 60m² are considered to represent half a HUE of demand for each service.

2.4.3 above sets out the multipliers used to calculate the number of HUEs associated with non-residential development. In essence, these multipliers represent the assumed typical relationship between the demand generated by non-residential development and the demand generated by households. Similar multipliers are used to convert the growth model to HUEs in the funding model.

3.4 ASSESSMENT OF GROWTH

3.4.1 The Growth Model

Council has developed a Growth Model for the period 2006-2046 to estimate future growth within the Gisborne district. This underpins the development of the policy at two levels. Firstly, as growth drives changes in demand on infrastructure, the growth projections are a foundation for the capital works programme. Secondly, the growth projections are converted into HUEs to model funding and to calculate the development contribution charge (refer to section 3.5.4).

The growth model addresses four indicators of growth: resident population; age and sex of the population; households and gross floor area of non-residential activities.

A full explanation of the methodology used to produce the growth model and spreadsheets containing the relevant figures for the model can be accessed as a supplementary report.

3.4.2 Key Risks/Effects Associated With Growth Projections

Growth projections are subject to uncertainties as to the quantum, timing and location of growth. There is a risk that the growth projections in the model will not eventuate, resulting in a change to the assumed demands on reserves, network infrastructure and community infrastructure. This could result in the over-provision of infrastructure. Furthermore, if the total amount of growth is less than projected, or the proportion of capital expenditure recovered through development contributions will be less than expected. As a consequence there may be increased debt servicing costs to Council. Council will continue to monitor the rate of growth and will update outcomes in the growth and funding models as required.

Under-assessing growth, on the other hand, may result in the under-provision of infrastructure to meet the growth.

3.5 IDENTIFICATION OF GROWTH EXPENDITURE and FUNDING MECHANISMS

3.5.1 General Approach

A summary of the capital expenditure identified in the Community Plan that the Council expects to incur to meet the increased demand for community facilities resulting from growth is contained in Part 6 of the Schedule. The proportion of this growth expenditure that the Council expects to fund from development contributions is also indicated.

In determining the growth expenditure and associated funding mechanisms an analysis is undertaken at three levels:

1. Activity Level

The range of funding mechanisms (consistent with the Revenue and Financing Policy) is identified at the activity level and an initial analysis is made of the considerations in the LGA 2002 (including section 101(3) of the LGA 2002).

2. Programme Level

Further consideration is given to the considerations in the LGA 2002 and their implications for funding.

3. Project Level

At the project level, the drivers for the project are reviewed and a cost process is undertaken to separate the costs into three drivers (growth, backlog and renewal). A catchment is then identified for the project and the funding model applied to provide an indication of the 'raw DC charge' required to fund the growth component. Further consideration is then given to appropriate funding mechanisms, building on the analysis at the activity and programme level and the considerations in the LGA 2002. This may result in re-consideration of the drivers and cost allocation process.

In general terms, the Council has determined to use development contributions to fund the portion of capital indicated in Part 6 of the schedule because:

- ▶ the portion of capital expenditure identified relates to the growth community in terms of sections 101(3)(a)(ii) (beneficiaries) and/or 101(3)(a)(iv) (exacerbators). Development contributions provide a means of directing funding to the growth community.
- ▶ Council recognises that liability for rates is increasingly putting pressure on the social wellbeing of the community and the use of this alternative source of funding will have the benefit of easing the burden of rates.

3.5.2 Cost Allocation

The cost allocation methodology carried out on each project is called the 'Modified Shared Drivers' methodology. This allocates the project costs into three categories so that possible sources of funding can then be identified with reference to the Revenue and Financing Policy. The three categories of costs are:

1. Backlog

The portion of the planned (or completed) project that is required to rectify a shortfall in service capacity to meet existing community demand at the current agreed levels of service. Levels of service describe, in quantitative and qualitative terms, the standard of services that the Council provides for each activity. The Council defines levels of service in consultation with the community on the Ten Year Plan and through strategies and policies.

2. Cost of Renewal

The gross cost of replacing an existing asset with a modern equivalent asset to the same function and capacity at the end of its life.

3. Cost of Growth

The portion of a planned (or completed) capital project providing capacity in excess of existing community demand at the current agreed levels of service. Only the growth portion of the capital works programme is considered for development contributions.

A summary of the Cost Allocation Methodology is as follows:

Step 1 ■ Identify project and costs

- ~ Information about the capital costs and planned timing of expenditure is identified. Costs are specified in present value.

- ~ External Third Party funding (eg, Land Transport New Zealand) is identified and also deducted from further analysis.

Step 2 ■ Consider drivers for the project and identify associated levels of service

- ~ The reasons for doing the project are reviewed and associated levels of service identified.
- ~ Where there is more than one driver the project is split into multiple drivers (on a percentage basis) and associated levels of service are identified for each driver.

Step 3 ■ Define capacities relating to the project

- ~ A capacity measure is identified to reflect each driver of the project and associated level of service. The existing capacity of the current infrastructure, existing demand and total capacity provided by the current infrastructure plus the planned works are identified (based on the year of analysis). The capacity and demand measures are used to divide the cost of the works into backlog and growth cost shares.
- ~ The growth in demand from existing users without any change in level of service (eg, more vehicle movements per day per household) is considered a backlog component, rather than a growth component, and is accounted for by adjusting the capacity measures to reflect anticipated changes in demand.

Step 4 ■ Asset renewal

- ~ Any assets replaced by the project for which depreciation has been collected to fund the eventual replacement are identified.
- ~ The amount of renewal funded by past depreciation is calculated by taking into account the gross replacement cost of the modern equivalent asset and the remaining life at the time of renewal.

Step 5 ■ Cost Efficiency

~ The renewal cost share is adjusted to recognise the efficiencies which may occur by carrying out the renewal component with the provision of new capacity.

Step 6 ■ Determine Cost Shares to Growth and Backlog

~ The remaining proportion of the cost (ie, excluding the renewal component calculated in Step 4 and Step 5) is then attributed to growth and backlog according to the proportions identified in Step 3.

Step 7 ■ Check Growth Cost Share

~ To ensure that the growth cost is not significantly more when the capacity for growth is provided in conjunction with backlog and renewal components. A comparison is made of the calculated growth cost share and a 'Stand Alone Growth Project' that a third party could install to meet just the growth capacity of the proposed works.

All analysis is undertaken in current year dollars. Historic project costs are the actual completed project costs in the dollars of the years in which they were completed and are not inflated to the current year.

3.5.3 Catchments

The capital expenditure related to growth is associated with one or more catchments on an activity-basis. The catchments are determined based on key characteristics including geography, service delivery and the nature and complexity of service provision. The catchments can be either local or district-wide. Individual capital works projects are allocated to catchments depending on the nature of the project and the community the project is intended to serve.

3.5.4 Funding Model

The SPM Consultants funding model is used to calculate the development contribution charges, per HUE, by activity and catchment. Each contribution charge represents the sum of the 'raw DC charges' calculated for the projects within the activity.

Essentially, the funding model divides the growth portion of cost of each project (identified using the cost allocation process) by the number of Household Unit Equivalents projected for the catchment over the funding period for the project, also allowing for:

- ▶ interest credited, at a rate of 5.63% when income from development contributions is projected to exceed the amount spent on the project
- ▶ interest on debt, at a rate of 7.13%, when the amount spent on the project is projected to exceed the income received from development contributions
- ▶ the effects of inflation on costs, using the BERL price level change adjustors (BERL ref #4686).

It is assumed that by the end of the funding period the debt owing on each project is zero.

Interest rates are subject to fluctuation and will be reviewed at each policy review.

The funding model also applies a 'backcharge' which recognises that rating charges to cover the backlog components of the growth may also be applied to the incoming community. The backcharge offsets the resulting rating charge on the incoming community against the DC charge.

3.6 AGGREGATION OF THE CONTRIBUTION

Once funding mechanisms have been decided at the project level the development contributions per HUE are aggregated by catchment and activity to determine the rates per HUE. These are listed in Part 2 of the Schedule.

PART 4 ■ Financial Contributions, Works and Services

4.1 FINANCIAL CONTRIBUTIONS

A Financial Contribution is a contribution from developers in cash or land (or a combination of these) provided for under the Resource Management Act 1991 (RMA 1991). In addition to the contributions introduced by this development contributions policy, financial contribution provisions apply to the District in relation to:

- ▶ Reserves
- ▶ Roads
- ▶ Stormwater
- ▶ Wastewater collection
- ▶ Water supply
- ▶ Esplanade Reserves.

The financial contribution provisions are contained in Chapter 13 (Esplanade Reserves/Strips – Conservation Protection and Public Land Access); Chapter 14 (Financial Contributions); and Chapter 15 (Roads, Accessways and Parking) of the Part Operative Gisborne District Combined Regional Land and District Plan. The Plan is available for viewing at Council offices in Fitzherbert Street and Te Puia Springs, the HB Williams Library and on the Council website –[http:// www.gdc.govt.nz](http://www.gdc.govt.nz).

Council intends to review the Financial Contributions provisions in the Part Operative Combined Regional Land and District Plan. The view is to remove financial contributions for purposes covered by development contributions.

In the meantime, Council will not require a development contribution for any activity where a financial contribution has already been imposed as a condition of a resource consent in relation to the same development, for the same purpose.

The LGA 2002 requires Council to identify the proportion of capital expenditure that is to be funded by financial contributions. None of the capital expenditure identified in the Ten Year Plan is expected to be funded by financial contributions.

A summary of the existing financial contribution provisions in the Combined Regional Land and District Plan is set out below.

4.1.1 Reserves and Esplanade Reserves

Contributions for reserves are payable when an additional lot is created for residential purposes and where development exceeds one dwelling unit per allotment. Contributions can be made in a combination of land and cash. Where the contribution is in the form of land vested during the subdivision process the District Plan requires 130m² for each additional allotment created, up to a maximum of one hectare. The following formula is used to calculate the cash contribution for each additional unit or each additional residential unit and/or allotment:

$$\frac{\text{Site value (\$)} \times 30}{\text{Site Area (m}^2\text{)}}$$

Esplanade reserves / strips may also be required where the development and/or subdivision affects land abutting the coastal marine area or certain rivers.

For clarity, the Esplanade Reserve Contributions continue to apply. However, the development contribution policy allows for the reduction in a reserve contribution required under the policy to offset a requirement for a esplanade reserve / strip.

4.1.2 Stormwater, Wastewater Collection, Water Supply Reticulation

Specific financial contribution formulae apply to the Willows Road Industrial area and the Taruheru subdivision block. There are also more general financial contribution provisions relating to network infrastructure. The provisions could potentially be applied for purposes outside of the scope of development contributions.

4.1.3 Rooding

The Plan provides that the total cost of developing new roads and streets to serve a subdivision or development shall be met entirely as a cost to the developer. In addition, the developer may be required to pay a financial contribution towards the cost of upgrading existing roads serving the subdivision or development. The following formula is used to calculate the maximum contribution that may be required from a development or subdivision toward the cost of upgrading the existing network:

Estimated costs (\$) of road(s) serving the subdivision or development multiplied by:

$$\frac{\text{Annual Average Daily Traffic Increase AADT}}{\text{Existing Traffic} + \text{Average Daily Traffic Increase}}$$

It is intended that the provisions on financial contributions for roading will also be reviewed. Financial Contributions for roading could potentially be applied for purposes outside the scope of development contributions.

4.1.4 Parking

Chapter 15 contains rules specifying the number of parking spaces that must be provided on site for various types of activities. Where the required parking spaces or loading bays for an activity cannot be provided, a financial contribution will be taken based on the formula specified in the chapter.

4.2 CONDITIONS FOR WORKS OR SERVICES

Nothing in this policy will prevent the Council from requiring, as a condition of a resource consent, the provision of works or services to support the immediate proposed development, , except where works are provided for in the Ten Year Plan.

PART 5 ■ Review of the Policy and Revision of the Schedule

5.1 REVIEW OF POLICY

It is anticipated that a new policy will be developed with each Long-Term Council Community Plan, or at shorter intervals if Council considers necessary, to take account of significant changes to:

- ▶ the Development Contributions Policy
- ▶ policy and strategic plans
- ▶ the capital works programme accounting for growth
- ▶ the pattern and distribution of development in the district
- ▶ anticipated inflation or interest rates
- ▶ any other matters Council considers relevant.

5.2 REVISION OF THE SCHEDULE OF CONTRIBUTIONS

Council may also revise the schedule of contributions (Part 2 and the cap on the contribution for reserves) with each Annual Plan to significant differences between actual capital costs incurred and the anticipated costs in the capital work programme.

Schedule to Development Contributions Policy

1. EVENTS THAT MAY GIVE RISE TO A REQUIREMENT FOR DEVELOPMENT CONTRIBUTIONS

The following events may give rise to a requirement for development contributions determined in accordance with Part 1 of this Policy and charged at the rates per HUE set out in Part 2 of the Schedule:

Subdivisions

Granting of Subdivision Resource Consents under the Resource Management Act 1991.

Landuse Consents and Building Consents

Granting of a land-use Resource Consent under the Resource Management Act 1991 or Building Consent under the Building Act 2004 may give rise to a requirement for development contributions under this policy where the consent is associated with:

- ▶ the creation of new dwellings (including relocation of existing houses) on a site
- ▶ the creation of new buildings or extension of the gross floor area of buildings
- ▶ the change in use of a building
- ▶ an increase in the design occupants of a visitor accommodation or residential services activity
- ▶ an increase in the amount of impervious surfaces.

Service Connection

Granting of a service connection, including connections for Water, Wastewater, Trade Waste or Stormwater, may give rise to a requirement for development contributions under this policy.

2. DEVELOPMENT CONTRIBUTION RATES PER HUE

The development contributions payable for Reserves and Open Spaces, Land Transport, Water Supply, Wastewater Stormwater per HUE and catchment are set out in the following table.

ACTIVITY	CATCHMENT	CONTRIBUTION PER HUE (\$)
Reserves and Open Spaces (includes land acquisition and community infrastructure)	District Wide	\$778
Land Transport	District Wide	\$885
Water Supply	Gisborne Urban Area	\$1,121
Wastewater	Gisborne Urban Area	\$5,217
Stormwater	Gisborne Urban Area	\$1,346

3. DEMAND ASSUMPTIONS FOR A HUE

This table contains the demand assumptions for an independent household unit (ie, one unit of demand or 'HUE'). The demand assumptions were used to develop the multipliers used to attribute units of demand to developments assessed on the basis of multipliers. They are also used to attribute units of demand to developments assessed on the basis of actual anticipated demand.

ACTIVITY	Unit of Measurement for HUE	DEMAND PER HUE	COMMENTS
Reserves and Open Spaces	Apportionment of total demand on Reserves and Open Spaces	1 Apportionment	
Land Transport	Number of vehicle trips per day associated with the development	6	
Water Supply	Daily flow	800 L /day	
Wastewater	Daily flow	614 L/day	
Stormwater	Impervious surface area	340m ²	Excludes impervious surfaces associated with roads or other public land.

4. CATCHMENT MAPS

Figure 1: Stormwater Catchments

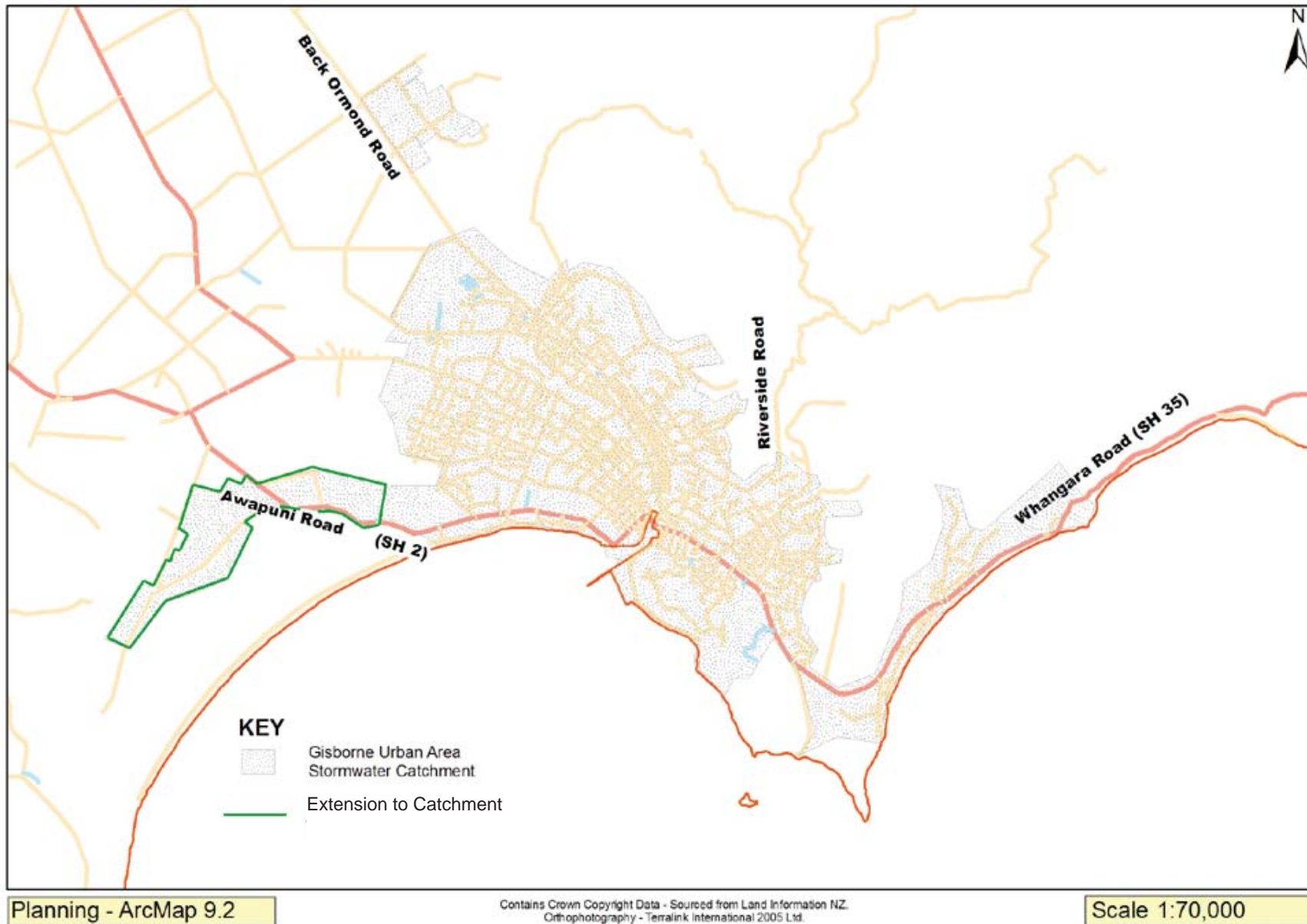
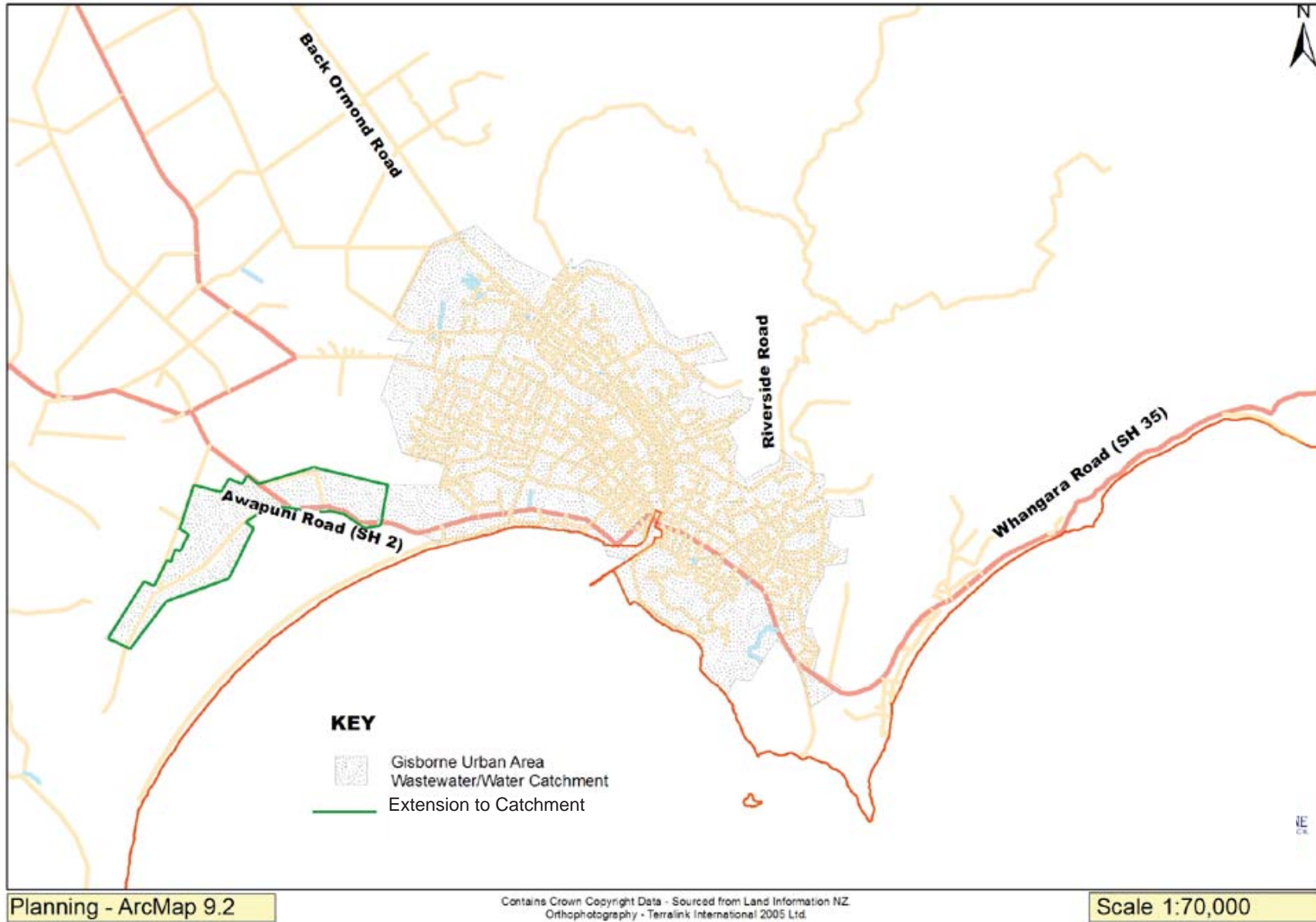


Figure 2: Water Supply and Wastewater Catchments



5. PAST PROJECTS

The following is a summary of the past projects used in the calculation of development contributions.

ACTIVITY	PROJECT	YEAR	AMOUNT	COMPONENT OF COSTS TO WHICH DC'S APPLIED
Wastewater	Taruheru Trunk Main	1997/98	\$134,398	\$55,999
Wastewater	Nelson Road Upgrade	2008/09	\$240,000	\$167,249
Stormwater	Taruheru Drain	2008/09	\$70,000	\$70,000
Land Transport	Hamlin Road Purchase	2008/09	\$75,000	\$75,000
Reserves and Open Spaces	Wainui Walkway / Cycleway	2008/09	\$200,000	\$200,000
Reserves and Open Spaces	Hicks Bay Reserve purchase of land	2008/09	\$80,000	\$80,000
Reserves and Open Spaces	Drainage Nelson Park	2008/09	\$40,000	\$21,832
Reserves and Open Spaces	Esplanade Reserves	2008/09	\$20,000	\$20,000

Notes: All dollar amounts are in actual dollars expended exclusive of GST. Backlog and renewal portions of capital expenditure budgets are not funded from development contributions. The calculation of the net growth component also excludes any portion of costs that have been funded from other sources eg. financial contributions.

PART 6 ■ Summary of Capital Expenditure

ACTIVITY	CAPITAL EXPENDITURE	GROWTH	DEVELOPMENT CONTRIBUTION FUNDED	FINANCIAL CONTRIBUTION FUNDED
Reserves and Open Spaces	11,791,000	1,121,000	1,104,000	1,425,107
Land Transport	122,956,000	1,763,000	1,150,000	-
Water Supply	8,535,000	2,040,000	1,845,000	-
Wastewater	58,473,000	2,619,000	4,316,000	-
Stormwater	9,150,000	1,987,000	1,854,000	-

PART 7 ■ Glossary of Terms

Allotment	Has the same meaning as Section 2 and 218 of the RMA
Backlog	That portion of a project that relates to historical catch-up to meet the required level of service for the existing community.
Building	Any structure having a roof supported by columns or walls used or intended to be used for the shelter or enclosure of persons, animals or property of any kind
Community Facilities	Reserves, network infrastructure, or community infrastructure for which development contributions may be required.
Community Infrastructure	Libraries, gyms, halls, churches, club rooms, sports facilities, places of assembly, museums, etc.
Cost Allocation	The allocation of the capital costs of a project to the various drivers for the project, such as renewal, catch-up (backlog), and additional capacity to meet growth.
Dwelling Unit	A building (or part of any building) in which a single housekeeping unit resides or could potentially reside.
Education	Schools, childcare services, tertiary education providers, etc.
GFA / Gross Floor Area	The total of the area of the floors of all buildings, measured from the exterior faces of the exterior walls, or from the centre lines of walls separating two buildings, or in the absence of walls, from the exterior edge of the floor. Gross Floor Area shall include floor spaces in roofed terraces, balconies and porches. Gross Floor Area shall exclude: - service station canopies - covered pedestrian circulation areas.
GST	Goods and Services Tax.
Health and Community Services	Medical services (eg. doctors, optometrists, hospitals), veterinary services, dental services, community care services (excludes accommodation).
Heavy Industry	Manufacturing and processing activities of a substantial size eg. freezing works, dairy factories, timber processing, packing houses.
HUE / Household Unit Equivalent	The unit of demand that relates demand of developments for network and community infrastructure to the typical demand by an average household. It forms the basis of assessing development contributions.
Impervious Surface	Hard surface area which either prevents or retards the entry of water into the soil mantle as it entered under natural conditions pre-existent to development, or that hard surface area which causes water to run off the surface in greater quantities or at an increased rate of flow from that present under natural conditions pre-existent to development. Common impervious surfaces include but are not limited to rooftops, concrete or asphalt, walkways, patios, driveways, parking lots or storage areas, and oiled, macadam or other surfaces which similarly impede the natural infiltration of surface water.
LGA 2002	Local Government Act 2002.

Allotment	Has the same meaning as Section 2 and 218 of the RMA
Lot	Lot is deemed to have the same meaning as 'Allotment' under both the Local Government Act 2002, and the Resource Management Act 1991.
Other Industry/ Servicing	Manufacturing, processing, servicing and construction activities, which may be associated with the sale of goods or services directly to the public eg, small timber mills, joiners, engineering businesses, panel beaters, mechanics.
Commercial, excluding retail	Property and business services (eg, real estate, architects), finance and insurance services, personal services (eg, beauticians), government administration (eg, courts, local government), commercial cultural and recreational services (eg, tourism operators, cinemas), service stations and offices.
Ten Year Plan	Long-Term Council Community Plan.
RMA	Resource Management Act 1991.
Renewal	That portion of project expenditure that has already been funded through depreciation of the existing asset.
Residential Allotment	An allotment zoned Residential or Rural in the Combined Regional Land and District Plan and capable of development for residential purposes.
Residential Services	Residential care facilities eg, aged care homes.
Restaurants/ cafes/bars	Activities where food is prepared on-site and/or drinks are sold and consumed on-site (whether private or public).
Retail	Activities primarily involved with selling goods (including large format retail).
Service Connection	A physical connection to a service provided by, or on behalf of, Gisborne District Council.
Subdivision	Subdivision is deemed to have the same meaning as 'subdivision' under the Resource Management Act 1991.
Visitor Accommodation	Hotels, motels, backpackers, campgrounds, etc.
Warehousing	Activities primarily involving the storage of goods or property.