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# **DEVELOPMENT AND FINANCIAL CONTRIBUTIONS POLICY**

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# Development and Financial Contributions

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## Overview

The overall policy document is split into four parts with Part 1 being included within the 2018-28 10-Year Plan. This overview briefly outlines what is contained within each part.

**Part 1** is CODC's 2018 Policy on Development and Financial Contributions. This is broken into section A, B and C.

**Section A** outlines how to apply the policy to a development.

**Section B** defines and explains the workings of the policy.

**Section C** contains supporting information to the policy.

**Parts 2, 3 and 4, plus appendices A, B and C** make up the Detailed Supporting Document.

**Part 2** outlines the calculation methodology used for calculating development contributions.

**Part 3** provides the details of specific elements of the development contributions calculation model.

**Part 4** provides the background and direction for assessing development contributions for specific developments and subdivisions.

**Appendix A:** Detailed Disclosure Tables.

**Appendix B:** Water Supply Network Charge Factor Calculation Method.

**Appendix C:** Schedule of Assets for which Development Contributions will be used.

The Policy and Detailed Supporting Document are publicly available from CODC upon request. Provisions for both development and financial contributions are discussed as they have different procedural matters relating to them.

## Major Changes from the Previous Policy

The major changes from the previous policy (as included in the 2015 - 25 LTP) and the Detailed Supporting Document are listed below:

- Merging of the Alexandra and Clyde water supply scheme. This merged scheme also includes the Outer Alexandra area.
- Expanding the Alexandra wastewater scheme to include Clyde.
- Merging the Cromwell - Urban and Outer Cromwell water supply schemes into the Cromwell water supply scheme.
- Merging the Cromwell – Urban and Outer Cromwell wastewater schemes in the Cromwell wastewater scheme.
- Removal of water supply and waste water financial contributions.
- Removal of development contribution caps to allow for full funding of growth capex.

## PART 1: Policy on Development and Financial Contributions

### 1.1 Introduction

The Policy has been prepared to meet the disclosure requirements of the Local Government Act (LGA) 2002. It defines what development and financial contributions Council will require when subdivisions and developments increase the demand for Council services. Included are methods for assessing residential and non-residential contributions. The policy defines the value of the contributions required for various catchments or contributing areas.

There are a number of contributions that Council considers appropriate to levy on subdivisions and developments. The principal basis for levying these contributions against subdivisions and development is to ensure that those who create the demand for additional services/assets pay fairly and reasonably for this.

**Financial Contributions** are defined by s108 of the Resource Management Act (RMA) 1991 and collected using the provisions of the District Plan. Contributions are assessed based on the environmental effects of growth. These are defined in Chapter 15 of the Central Otago District Plan.

Financial contributions has the meaning given to it by s109(a) of the Resource Management Act 1991 i.e.

- a) Money; or
- b) Land, including an esplanade reserve or esplanade strip (other than in relation to a subdivision consent), but excluding Maori land within the meaning of the Maori Land Act 1993 unless that Act provides otherwise; or
- c) A combination of money and land.

Financial contributions will continue to be collected under the District Plan Provisions.

**Development Contributions** are contributions defined by the provisions of Part 8 Subpart 5 and Schedule 13 of the LGA 2002. Development contributions are assessed based on the fiscal implications of growth. The terminology used in this Policy is consistent with the definitions in Section 197 of the LGA 2002 where **Community Facilities** means reserves, network infrastructure, or community infrastructure for which development contributions may be required in accordance with section 199.

## 1.2 Activities Covered By This Policy

Council activities included in this policy are:

1. **Network infrastructure** for water supplies, wastewater and roading.
2. **Reserves.**
3. **Financial contributions of non-fiscal nature** as defined by Chapter 15 (operative) of the Central Otago District Plan and any subsequent variation.

## 1.3 Purpose

Section 197AA of the LGA 2002 defines the purpose of development contributions as:

*The purpose of the development contributions in this Act is to enable territorial authorities to recover from those persons undertaking development a fair, equitable, and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term.*

Council considers the provision of suitable infrastructure as one of its key **strategic** activities that aid in the provision of social, economic, environmental and cultural well-being of the community. Providing infrastructure in anticipation of growth is an obligation of Council. Council will often invest in infrastructure capacity well in advance of the uptake of that capacity. Therefore recouping the growth component of this investment is an obligation Council has on behalf of the community.

Council also considers it important to ensure that the funding of this infrastructure is fair, reasonable and equitable. The existing community has invested in its needs and enjoys the benefits derived from those assets and services. Council considers it appropriate to use development and financial contributions where new subdivision and development benefit from existing infrastructure, generate need for additional infrastructure and/or require infrastructure extensions.

Section 106(2)(c) of the LGA 2002 requires Council's development contributions policy to explain why the Council has determined that it is appropriate to use development contributions as a funding source, by reference to the matters in section 101(3) of the LGA 2002.

Section 101(3) of the LGA 2002 requires that the following be considered:

*The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of:*

(a) *in relation to each activity to be funded -*

- (i) the community outcomes to which the activity primarily contributes; and
- (ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
- (iii) the period in or over which those benefits are expected to occur; and
- (iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and

(v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and

*b) the overall impact of any allocation of liability for revenue needs on the community.*

For each activity, Council has specifically considered these matters in relation to the Policy on Development and Financial Contributions. The Council considers that development contributions are an appropriate method of funding growth costs. The considerations are documented in Table 1. The activities have been grouped into:

- Water Supply, Wastewater
- Roading

Each of these matters has been considered for each activity however in some cases the reasons given are valid for all activities. Where this is the case Table 1 shows the common reasons applicable to all activities.

**Table 1: Considerations of Section 101(3) of the LGA 2002**

| Water Supply and Wastewater  | Roading   |
|--|---|
| <p>Water supply and wastewater networks across the district are provided to levels appropriate to sustain the density of use provided for in that locality. The two networks are grouped together as they share similarities in their management and in terms of the effects any extensions have upon them.</p>  | <p>The roading network is maintained throughout the district at an appropriate level to ensure accessibility for all possible origins and destinations, and to provide for all possible activities.</p>   |
| <p><b>S101(3) (a) (i) the community outcomes to which the activity primarily contributes;</b></p>  |   |
| <p><u>Community Outcomes</u><br/> A Thriving Economy<br/> A Safe and Healthy Community - Maintain services in local communities.</p>   | <p><u>Community Outcomes</u><br/> A Thriving Economy<br/> A Safe and Healthy Community – Transportation and Communications</p>  |
| <p><b>S101(3) (a) (ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals;</b></p>   |   |
| <p><u>Existing Community and Growth Community</u><br/> Capital expenditure will provide capacity, and therefore benefit, to the existing community, the growth community, or both these groups. Council intends to pass the cost of growth onto the growth community through development contributions. Improving levels of service, historical catch-up or asset renewal will be funded from other sources of revenue by the existing community.<br/> The capital expenditure undergoes a cost driver analysis to define the benefit and the cost attributable to each part of the community using one or many of the following cost drivers:</p> <ul style="list-style-type: none"> <li>• Growth</li> <li>• Renewal</li> <li>• Other (Level of Service, Statutory and Deferral)</li> </ul> <p>The growth costs provide for new or additional assets or assets of increased capacity to meet the demands growth places on community facilities.</p> |   |
| <p><u>Contributing Areas</u></p>   |   |
| <p>Council intends to use the scheme boundaries to define the contributing areas for water supply and wastewater contributions. These are:</p>   | <p>All developments within the district's boundaries have the ability to use the roading network therefore all developments shall be assessed for a development contribution. Roading development contributions fund growth related capital expenditure for all components of the transportation network.</p> |
| <p>Water Supply<br/> • Alexandra and Clyde<br/> • Cromwell<br/> • Omakau<br/> • Ranfurly<br/> • Roxburgh<br/> • Naseby<br/> • Patearoa</p>   | <p>Wastewater<br/> • Alexandra and Clyde<br/> • Cromwell<br/> • Omakau<br/> • Ranfurly<br/> • Roxburgh<br/> • Naseby</p>  |

| Water Supply and Wastewater  | Roading   |
|--|---|
| <p>Only those developments connecting or utilising the water supply and/or wastewater network shall pay a development contribution.</p> <p>Development contributions fund growth related capital expenditure for all components of the utilities network including storage, treatment plants, firefighting, reticulation and pump stations.</p>  |   |
| <p><b>S101(3) (a) (iii) the period in or over which those benefits are expected to occur;</b></p>  |   |
| <p>The purpose of development contributions is to assist in providing intergenerational equity. The approach determines the capacity of each asset and the amount of capacity that will be utilised by the growth community. The length of time over which the asset created will provide a benefit to the future community has been considered. If this benefit extends beyond the 10-year Long Term Plan planning horizon then the growth costs shall be recovered in this LTP window and the next as the capacity is taken up.</p> <p>Funding the cost of providing increased capacity in community facilities through development contributions, rather than rates serviced debt, promotes equity between the existing community and the growth community. Once a development contribution has been paid in relation to a subdivision or development, the benefits of the asset, service, or environmental enhancement shall occur indefinitely.</p> |   |
| <p><b>S101(3) (a) (iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity;</b></p>  |   |
| <p>Council has projected the extent of growth within the district. Council has also identified capital expenditure necessary to meet the needs of the growth community. The contributing areas discussed above in 101(3) (a) (ii) also ensures the growth costs are attributed to those which contribute to the need to undertake the activity.</p>  |   |
| <p><u>Land Use Categories</u></p>  |   |
| <p>Council intend to use land use categories to ensure the growth costs are attributed to identifiable parts of the growth community which contribute to the need to undertake the activity. Growth in each land use category generates a different demand for community facilities and therefore each land use shall pay an appropriate contribution.</p>   |   |
| <p>The land use categories used for Water Supply and Wastewater are:</p> <ul style="list-style-type: none"> <li>• Residential</li> <li>• Housing Multi Unit</li> <li>• Retail/ Commercial</li> <li>• Restaurants/ Bars</li> <li>• Accommodation</li> <li>• Industrial</li> </ul>   | <p>The land use categories used for Roading are:</p> <ul style="list-style-type: none"> <li>• Residential (includes all residential dwellings and multi units)</li> <li>• Business (includes Retail/ Commercial, Restaurants/ Bars, Accommodation, Industrial)</li> </ul> |
| <p><b>S101(3) (a) (v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities;</b></p>  |   |
| <p>Development contributions received for a specific activity will only be used for, or towards, the capital expenditure of that activity for which the contribution was required. Using development contributions to fund the cost of providing additional community facilities provides greater transparency. The benefits of this approach include intergenerational equity, fairer apportionment of costs and a more targeted, user pays system. These benefits are deemed to exceed the costs of assessing development contributions.</p>   |   |
| <p><b>S101(3) (b) the overall impact of any allocation of liability for revenue needs on the community.</b></p>  |   |
| <p>The liability for revenue falls directly with the growth community. At the effective date of this Policy, Council considers that any negative impact on the social, economic, environmental and cultural well-being of this particular sector of the community is outweighed by a positive impact on the wider community. At any stage in the future where there maybe impacts of this nature, Council may revisit this policy.</p>   |   |

Section 106 of the LGA 2002 identifies that both development and financial contributions can be used. However the Local Authority must clearly demonstrate that no 'double dipping' (charge twice for the same effect/benefit) will occur. This policy clearly defines when a development contribution versus a financial contribution will be required.

## 1.4 Implementation Date

The financial and development contributions identified in this Policy shall be applied to all consents with an application date on or after 1 July 2018.

Any consent applied for prior to 1 July 2018 will be assessed under the provisions of the Policy in place on the date of consent application.

# Section A: Applying the Policy to a Development

## 1.5 Schedules of Development and Financial Contributions Payable

Council may levy contributions in accordance with Tables 2 and 3 over the duration of the LTP. This policy may be amended under the annual update process as described in the Monitoring, Review and Development/Financial Contributions Policy Update section in the Policy.

The two tables demonstrate the type of contribution sought by geographical area, by asset type and under what legislation these will be collected. Development contributions are detailed in Table 2 and financial contributions are detailed in Table 3. The figures provided in Tables 2 and 3 are GST exclusive.

**Development contributions** for water supply, wastewater and roading have been calculated where growth costs have or are expected to occur. These are detailed in Table 2 below and are calculated in accordance with the conversion factors and assessment rules in the following section.

Maps showing the water and wastewater network scheme boundaries can be found in the final section of this policy. Should Council approve a water supply or wastewater connection to a property outside the scheme boundaries, the applicable development contribution shall be required.

**Table 2: Schedule of Development Contributions (excludes GST)**

| Contributing Area   | Water Supply (per DE)  | Wastewater (per DE) | Roading  |
|---------------------|--|---------------------|--|
| Alexandra and Clyde | \$6,295  | \$5,795             | Res<br>\$1,772<br>per DE<br><br>Bus<br>\$5,157<br>per standard<br>business lot |
| Cromwell            | \$4,695  | \$3,979             |  |
| Omakau              | \$5,964  | \$1,108             |  |
| Ranfurly            | \$1,765  | \$244               |  |
| Roxburgh            | \$1,156  | \$413               |  |
| Naseby              | \$2,524  | \$149               |  |
| Patearoa            | \$1,510  | n/a                 |  |
| Other Urban Areas   | Watching brief should growth create demand for additional assets/services. |                     |  |
| Other Rural Areas   |  |                     |  |

**Note 1: Stormwater development contributions** will not be charged at present however this is open for review should growth create demand for additional assets/services.

**Table 3: Schedule of Financial Contributions (excludes GST)**

| Area                | Water Supply | Wastewater | Roading                      | Reserves   |
|---------------------|--------------|------------|------------------------------|--|
| Alexandra and Clyde | n/a          | n/a        | Environmental effects based. | \$1,910  |
| Cromwell            |              |            |                              | Maintain existing provisions in the District Plan<br>1. Land; or<br>2. Cash in lieu of land; or<br>3. Both |
| Omakau              |              |            |                              |  |
| Ranfurly            |              |            |                              |  |
| Roxburgh            |              |            |                              |  |
| Naseby              |              |            |                              |  |
| Patearoa            |              |            |                              |  |
| Other Urban Areas   |              |            |                              | \$955  |
| Other Rural Areas   |              |            |                              |  |

**Note 1:** Financial Contributions are inflated annually based on Statistics NZ Construction Index PPIQ.SQNEE0000. They are updated to the September 2017 quarter in the above table.

**Note 2:** General Financial Contribution provisions in the operative District Plan allow for contributions to be sought against various assets and for various environmental effects (no explicit contributions identified). These are detailed in Chapter 15.6 of the District Plan and will be maintained.

## 1.6 Conversion Factors and Assessment Rules

The following table shows the Conversion Factors used to assess non-residential developments or subdivisions. The detail and derivation of these conversion factors can be found in Part 3 and Part 4 of the Detailed Supporting Document. These apply only to development contributions. The assessment rules below the table must also be considered, specifically for business roading development contributions.

**Table 4: Conversion Factors for Development Contributions**

| Land Use Category                                 | Water Supply                    |                 | Wastewater                      | Roothing   |
|---|---------------------------------|-----------------|---------------------------------|--|
|   | Working Charge                  | Network Charge  |                                 |  |
| Residential                                       | 1.0 DE per dwelling             |                 | 1 DE per dwelling               | 1 DE per dwelling  |
| Housing Multi Unit                                | 0.38 DE per unit                | 0.4 DE per lot  | 0.64 DE per unit                | 1 DE per unit  |
| Residential Flats of 60m <sup>2</sup> GFA or less | 0.5 DE per residential flat     |                 | 0.5 DE per residential flat     | 0.5 DE per residential flat  |
| Retail/Commercial                                 | 0.05 DE per peak no. of persons | 1.24 DE per lot | 0.09 DE per peak no. of persons | Typically 2.91 DE per standard business lot, but subject to assessment rules where applicable. |
| Restaurants/Bars                                  | 0.05 DE per peak no. of persons | 1.24 DE per lot | 0.14 DE per peak no. of persons |  |
| Accommodation                                     | 0.16 DE per peak no. of persons | 1.4 DE per lot  | 0.27 DE per peak no. of persons |  |
| Industrial  | 0.08 DE per peak no. of persons | 1.24 DE per lot | 0.18 DE per peak no. of persons |  |

For roading contributions the residential land use includes rural and residential lifestyle subdivisions or developments.



## 1.7 Housing Multi-Units

Multi-unit development that comprises the provision of a second one-bedroomed residential unit limited by consent to be for family use, whether attached or unattached to the main residence, shall be exempt from development contributions.

### Assessment Rules

#### Water Supply and Wastewater

Any development that does not connect to Council's water supply or wastewater network will not be levied a development contribution for that activity.

The peak number of persons for each land use category is as follows:

|                   |   |
|-------------------|---|
| Retail/Commercial | Peak full-time staff equivalents  |
| Restaurants/Bars  | Maximum Number of Patrons + Peak full-time staff equivalents  |
| Accommodation     | Number of fee paying guests + (Peak full-time staff equivalents / 5)                                    |
| Industrial        | 7 for typical industrial development, otherwise consumption determined at the time of site development. |

The NCF for water supply will have regard to the underlying zoning (and hence the firefighting standards) of the subject lot, e.g. the NCF for a small accommodation development in a residential zone will be 0.4 per lot.

### Roading

**Small Business Assessment** - For all small business developments, daily vehicle movements shall be assessed as a percentage of a standard business demand of 90 movements per day. Where the assessed daily vehicle movement is less than 100% of the standard demand, roading development contributions shall be due on a percentage pro-rata basis of the fixed business fee. Developments with less than 10% of the standard business daily vehicle movements shall attract a nil roading development contribution.

For this calculation a broad consideration of traffic movements is required. Specialist traffic assessments are not required except for complex developments, or where the assessments are disputed. The special assessment provision for larger developments is unchanged. For developments of multi units on one site, or units covering multiple lots the above principles shall apply to the development as a whole.

**Special Assessment** - A special assessment tool has been used in conjunction with the previous Policy to assess developments that have a greater than normal impact on the roading network. Council deems that a development which exceeds three business contributions should be the point where a special assessment is appropriate. This equates to 270 vehicle movements per day.

A summary of the above two assessment rules is shown below for business developments or subdivisions (vpd = vehicles per day).

- 0-9 vpd                      0 DE
- 10-89 vpd                    pro-rate of 90vpd x 2.91 DE
- 90-269 vpd                   2.91 DE
- Greater than 270 vpd      pro-rate of 90vpd x 2.91 DE

**Rural and Rural Residential Development and Subdivision** - A roading development contribution will be assessed for all developments or subdivisions, including those in rural and rural residential zones.

**Alterations** - Where alterations are made to an existing business building and work exceeds \$500,000, a fixed fee will be charged. Any alterations to an existing business building where work is less than \$500,000 shall be exempt a roading development contribution.

**Traveller Accommodation** - The following table shall be used to determine the proportion of the business roading contribution payable.

**Table 5: Roading Development Contributions for Traveller Accommodation**

| Fee Paying Guests                                       | 5 or less | 6-7 | 8-9 | 10-11 | 12 or More |
|---|-----------|-----|-----|-------|------------|
| Percentage of the Business Roading Contribution Payable | Nil       | 50% | 67% | 83%   | 100%       |

Homestay activities are also exempt roading development contributions.

**Rural Selling Places and Cellar Doors-** These are defined in the District Plan in section 4.7.2 (iii) and (v) respectively. Council considers these activities do not generally create any additional demand as they are places where passers-by make purchases as opposed to being a destination causing additional demand on the roading infrastructure. These activities shall be exempt from roading development contributions.

**Multi Unit / Multi Lot Development Scenarios-** Multi unit and multi lot developments caused confusion when assessing roading contributions under the earlier policies. The following section clarifies the charging of development contributions for certain scenarios.

1. Existing Building – Building Modification for Separately Tenanted Space(s).



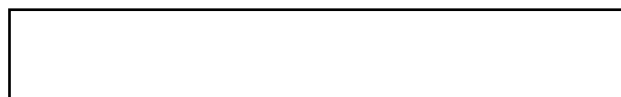
**Solution:** At building consent charge a separate business or residential fixed fee roading development contribution for the additional tenanted space.

2. Building to be constructed where it is clear separate tenancies will occur and meet building standards for that purpose.



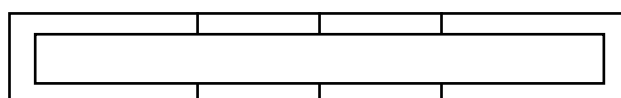
**Solution:** Each separately tenanted space shall be charged a fixed fee roading development contribution.

3. Building shell to be constructed where it can potentially be modified to have separate tenancies.



**Solution:** Charge a single fixed fee roading contribution at the time of construction. When building is modified additional contributions should be charged. The owner and not the tenant shall be liable for any future development contributions upon building modification.

4. Development(s) covering multiple lots.



**Solution:** A fixed fee roading contribution shall be charged for each lot used by the development. For this purpose development includes buildings and ancillaries, e.g. car parking.

## 1.8 Unusual Developments

Council reserves the right to individually assess any development or activity that it deems to create a significantly different demand on infrastructure than could usually be expected under their relevant category. For example, a swimming pool may be classified under commercial but it will have a significantly different water use than generally allowed for under the commercial category.

Where alterations are made to an existing business building and work exceeds \$500,000, a fixed roading development contribution will be charged. Any alterations to an existing business building where work is less than \$500,000 shall be exempt a roading development contribution. Section 15.6.4 of Council's District Plan identifies developments required to pay a Development Impact Levy. Developments meeting the test for a development impact levy are also considered unusual developments in relation to this Policy.

## 1.9 Credits

Different credit systems apply to financial contributions and development contributions.

**Financial Contributions** – credits and refunds are detailed in section 15.5.2 of the District Plan. This section identifies the following in relation to credits.

- (b) With respect to assessing financial contributions for reserves the following credit shall apply:
- (i) In the case of residential subdivision and/or development, a credit will be given for any financial contribution paid at the time of a previous subdivision and/or land use consent.
  - (ii) In the case of subdivision, credit will be given for the number of allotments that existed prior to the subdivision, including the number of allotments that could have accommodated dwellings in the context of residential subdivision.
  - (iii) Credit will be given when the facilities for general public use are provided as part of the subdivision and/or development.
- (c) When as a condition of a resource consent a financial contribution was made in respect to the provision of two or more households on one allotment without subdivision and the allotment is subsequently subdivided to create separate allotments to accommodate those household units no further financial contribution shall be paid.

**Development Contributions** – the following credit considerations apply to all development contribution assessments:

- Credits will be specific to the activity for which they were paid (i.e. a water supply credit will not be able to offset a wastewater contribution).
- Credits are based on the underlying zoning of the lot and not the proposed activity. i.e. the credit for a business development on a residential lot will be based on the residential land use.
- Credits are to be site specific (not transferable) and non refundable unless the refund provisions of the Act apply.
- The existing demand of any lot that is to be developed or subdivided will be converted to a dwelling equivalent credit when assessing development contributions. Thus development contributions are solely for additional demand created by the new development or subdivision.
- Any credit will be identified on the Development / Financial Contribution Demand.

Following the above two considerations, there are two types of development contribution credits that may be applied:

- (1) Actual Credits
- (2) Deemed Credits

The applications of the credits are described in the following table.

Table 6: Summary of Development Contribution Credits Applicable

| When do they apply?  | Who is responsible for them?   | The following credits are anticipated (not intended as an exclusive list) : |   | Time Limit  | Comments   |
|--|--|---|---|---|--|
|  |  | Stage / Type of Development   | Details of Credit   |   |  |
| <b>Actual Credit</b>   |  |   |   |   |  |
| Actual credits apply when development contributions have already been paid.  | Developers may request an actual credit. The Council invites applicants to submit with their applications records of development contributions paid. | Any development or subdivision on all zoned lots.                           | Actual credits will be applied to subdivisions or developments where a development contribution has been paid at an earlier stage, under this, or a previous version of the Policy on Development and Financial Contributions.<br>The actual credit includes any deemed credit applied at the time of assessment.<br>The actual credit will be quantified in dwelling equivalents. Any earlier development contribution payment will be converted to a dwelling equivalent credit for each activity based on the policy in place at the time of assessment. | There will be no time limit within which these credits must be used.  | In some instances, particularly business sites, the contribution paid may exceed the contribution required under the new policy. This remaining credit may be used to offset contributions that would otherwise be payable on future development of the lot. |
| <b>Deemed Credit</b>   |  |   |   |   |  |
| Deemed credits will only apply to vacant lots that existed prior to the requirement for development contributions. A deemed credit will only apply when an actual credit does not exist. | Council will determine if a lot is entitled to a deemed credit.  | Residential Subdivision or Development                                      | Any underlying residential lot shall be allocated a credit of one dwelling equivalent.  | Any excess deemed credits that are identified as a result of an amalgamation of individual lots will accrue on the new amalgamated lot but will lapse if not utilised within a period of three years. |  |
|  |  | Rural Subdivision or Development  | Any underlying rural lot shall be allocated a credit of one dwelling equivalent.  |   |  |
|  |  | Business Subdivision or Development   | Any underlying business lot shall be allocated a credit of one dwelling equivalent, except for roading contributions where deemed credits will not apply.   |   |  |

Development contributions and credits will remain with the original underlying lot. For example if a business relocates then the development contribution or credit cannot be transferred to the new lot.

## 1.10 Commercial and Industrial Developments on Rural Zoned Land

When the need for a Resource or Building Consent on rural zoned land arises or a service connection is made a development contribution may be required. Pastoral land is considered the baseline land use for rural zoned land. When the land use changes a development contribution may be required.

Where development occurs that supports the pastoral land use, but does not change it, the developer will not be liable for contributions. In this instance it is assumed that supporting the existing land use will not generate additional demand on Council's infrastructure. The construction, for example of a hay or implement shed would not generate any additional demand if its sole purpose was to support a pastoral land use.

Where the land use deviates from pastoral, contributions will be assessed and may be payable. The land uses or types of development that follow are not considered to be pastoral:

- Pack houses
- Processing plant
- Dairy farms
- Buildings or works supporting land uses other than pastoral
- Forestry

Any activity that increases demand on Council infrastructure may be assessed for development contributions. This includes the addition of a residential dwelling to rural land.

## Section B: Defining the Policy

### 1.11 Significant Assumptions

#### Best Available Knowledge

All information used in the calculation of development contributions is the best available at the time of the calculation models being prepared. Council is proceeding with numerous strategic studies which will aid in delivering improved information. Council will update the Policy at reasonable intervals. Council considers it fiscally prudent to have contributions in place now to ensure the recovery of growth costs. Delays to implement this process are considered unacceptable and would unfairly burden the existing population with these costs.

#### Growth Projections

The findings of a district-wide growth projections study completed by Rationale Ltd in July 2008, and updated in May 2017, were used as the basis for forecasting growth. The growth study considers Statistics New Zealand (SNZ) census data and SNZ projections. The study provides growth projections for each Census Area Unit and a more detailed analysis of specific urban areas.

Growth estimates have been prepared for each contributing area using dwelling equivalents. The starting point uses existing connections from the CODC rates database. These are converted to dwelling equivalents for non-residential connections using the differentials described in Part 3 and 4 of the Detailed Supporting Document. The annual growth factors from the above study are applied to forecast the growth in dwelling equivalents.

#### Financial Considerations

The following are key financial considerations applied in the model:

1. All figures are in current New Zealand dollars – effective 1 July 2018 and are GST exclusive.
2. Inflation is applied to past capital projects only.
3. Interest costs have been assessed based on the weighted average cost of capital over the 10 year period from 2018. The cumulative net deficit between the contributions anticipated to be collected and the growth costs over the 10-year period are used to determine the proportion of the growth cost that will be funded by debt. An interest rate of 5.0% has been applied.

4. Capital expenditure (CAPEX) projections are those that have been forecast in the Long Term Plan Statement of Proposal effective at 1 July 2018. Actual expenditure for the years to and including 2016/17 has been used. Amendments to the CAPEX programme have been made to account for budgets carried forward and expenditure changes. The public nature and auditability of these capital projections provides additional confidence to the process. Schedule 10 of the LGA 2002 prescribes significant disclosures including growth, renewal and level of service apportionments.

## 1.12 Review and Update of the Policy on Development and Financial Contributions

The Council is required to review the policy at least once every three years using a consultation process that gives effect to the requirements of section 82 of the Local Government Act.

The Council may, under the provisions of section 106(2B) of the Act, increase the development contributions in accordance with movements in the Producers Price Index (Construction).

Financial contributions will be updated for inflation annually as part of the Annual Plan process. Where financial contributions are inflated, and differ from those contained within this Policy on Development and Financial Contributions, the financial contributions defined in the Annual Plan will take precedence.

## 1.13 Contribution Triggers

Statutes define different triggers for financial contributions and development contributions. These are:

### 1. Financial Contributions - As defined by chapter 15.5.1 of the District Plan, namely required as a condition of:

- Subdivision consent and/or
- Land use consent

### 2. Development Contributions – As defined by s198 of the LGA 2002 may be required when:

- A resource consent is granted; or
- A building consent is granted; or
- A service connection is authorised.

Both financial contributions and development contributions relate to demand for assets and/or resources. Once the Council has assessed the demand and a contribution has been determined and paid, provided the demand does not change then no further contributions will be required. Council will consider issues of equity, fairness and reasonableness when applying development contributions at these phases of subdivision and development.

The sequence of development is not always consistent. Hence financial and development contributions will be required at the first available opportunity. At each and every subsequent opportunity the development may be reviewed in terms of both types of contributions. Additional contributions will be required if the demand assessed for the development exceeds those previously paid for.

## 1.14 Notification

Notification procedures are different for both financial and development contributions.

**Financial contributions** are a condition of resource consent and are payable to ensure compliance with that consent. Financial contributions payable will be notified on both subdivision and land use resource consent decisions.

**Development contributions** are **not** a condition of resource consent. Council will however attach a Development/Financial Contributions Demand to the following documents where appropriate:

- Resource Consents – subdivisions and land use
- Building Consent
- Service Connection Authorisations

The Development/Financial Contributions Demand will include a list of contributions payable, details of any calculations undertaken in terms of assessing demand, details of existing credits known to Council and when payment is required. The Development/Financial Contributions Demand includes a statement of contributions for a specific allotment. Therefore any changes in demand can be assessed giving consideration of existing credits.

## 1.15 Timing of Payment

**Financial Contributions** – timing of payments are defined in section 15.5.1 of the District Plan. This section identifies the following:

- “(a) Financial Contributions of money shall generally be paid as follows:
- (i) In the case of a resource consent for land use prior to the commencement of that use.
  - (ii) In the case of a resource consent for subdivision prior to the issue of a certificate under section 224 of the Act\* provided that in circumstances where the adverse effect (or a significant portion of that effect) created by the subdivision and/or development will not occur until sometime in the future then Council may defer the financial contribution through the use of covenants, bonds, consent notices or the review of conditions as appropriate.
  - (iii) In the case of financial contributions of money on permitted activities, prior to the issue of the building consent or commencement of the activity.
- (b) Financial contributions of land shall be vested in Council immediately upon the land being able to legally vest.”
- \* Act meaning the Resource Management Act 1991

**Development Contributions** – will be payable as follows:

- Resource consent (subdivision) – prior to the issue of S224c certificate (See section 208 of Local Government Act 2002). Council will consider applications for deferral of payment under the following clause:

*In the case of a subdivision consent prior to the issue of a certificate under section 224(c) of the Resource Management Act 1991, provided that in circumstances where the effects, or a significant portion of the effects, created by the subdivision will not occur until sometime in the future, then the Council may defer the payment of the development contribution provided it is satisfied that appropriate security by way of registering the 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 and within a timeframe agreed being no greater than 5 years from the issue date of the certificate under section 224(c) of the Resource Management Act 1991.*

- Resource consent (other) – prior to commencement of the consent except where a building consent is required then payment shall be as noted for building consents below;
- Building consent – prior to the issue of the code of compliance certificate. In the event of undue delays in applying for code of compliance certificate Council may require payment 90 days from the granting of the building consent.
- Service connection – prior to connection.

## 1.16 Developer Provision of Assets

Where any service serves or is intended to serve land in a subdivision or development and other land, the liability of the consent holder shall be limited to the extent to which the service serves or is intended to serve the land in the subdivision or development.

Where a developer provides works or services in excess of that required by the Council and this is documented by way of a written agreement the works will be valued and then deducted from the relevant contribution category.

## 1.17 Development Agreements

The Council may enter into development agreements with developers for the provision, supply, or exchange of infrastructure, land, or money to provide network infrastructure, community infrastructure, or reserves the district or a part of the district. The provisions of Sections 207A to 207F shall apply to such agreements.

## 1.18 Reconsiderations

An applicant may request council to reconsider the requirement if the applicant has grounds to believe that:

(a) the development contribution was incorrectly calculated or assessed under the council's development contributions policy;

or

(b) council incorrectly applied its development contributions policy; or

(c) the information used to assess the person's development against the development contributions policy, or the way council has recorded or used it when requiring a development contribution, was incomplete or contained errors.

A request for reconsideration must be made in writing stating clearly which of the above grounds the applicant believes the Council has erred. The request for reconsideration must be made within ten working days after the date on which the person lodging the request receives notice from Council of the level of development contribution that Council requires. This request should be addressed to:

The Development Engineer,  
Central Otago District Council  
PO Box 122 , Alexandra 9340  
Email: dcreconsider@codc.govt.nz

The steps that Council will apply when reconsidering the requirement to make a development contribution are:

- The appropriate Council officer shall review the reconsideration request,
- The Council officer may request further relevant information from the applicant,
- The Council officer will make a recommendation to the delegated authority,
- Council will, within 15 working days after the date on which it receives all required relevant information relating to a request, give written notice of the outcome of its reconsideration to the person who made the request.

A reconsideration cannot be requested if the applicant has already lodged an objection. If the applicant is not satisfied with the outcome of the reconsideration, they may lodge an Objection as specified in the Local Government Act 2002 Amendment Act (No 3) 2014, s199C to s199N.

## 1.19 Remission and Reimbursement

### Remission

There will be no remissions, other than those listed below, except in exceptional circumstances. Remissions are at the discretion of the Chief Executive.

#### Seasonal Activity Remission

Remissions on the basis of seasonal activity or reduced demand on specific assets will only be allowed where the actual demand can be demonstrated to be significantly different from a typical development. Furthermore it must be demonstrated that the demand will not increase if the development was to be used differently.

#### Small Business Remission

A remission will be provided to small business and non-residential service developments on the following basis.

Where the average assessed additional demand across the roading, water and wastewater activities is less than or equal to 1.5 dwelling equivalents, the development contributions, and financial contributions for roading, water and wastewater shall be remitted.

Seasonal worker accommodation is interpreted as non-residential for this policy and is thus eligible for the small business remission if the criteria are met.

The small business remissions principle was implemented with effect from 1 July 2011, and will apply only to development contributions that are due to be paid on or after that date. Remission considerations for developments that have already been assessed but not paid will be initiated by an application from the developer. The remission is not available to developments where contributions were due to be paid prior to 1 July 2011, but where payment has been delayed by the developer.



### Not-for-Profit Remission

Developments linked to a not-for-profit organisation may also be considered for remission.

### **Reimbursement**

A reimbursement maybe sought where it can be demonstrated that the subdivision or development has amassed development/financial contribution credits against it. Example: Where a contribution has been assessed as a condition of a land use consent (subdivision) based on likely future land use and where that future (conceivable final land use) is substantially and materially different.

## **1.20 Non Payment**

If **financial contributions** are not paid in accordance with the above provisions and to the satisfaction of Council, Council may:

1. Withhold issue of a certificate under section 224 of the Act for subdivision;
2. Prevent commencement of a land use consent.

If **development contributions** are not paid in accordance with the above and to the satisfaction of Council, Council may as it is permitted under section 208 of the Local Government Act 2002:

- Withhold S224c Certificate on a subdivision;
- Prevent the commencement of a resource consent for a development;
- Withhold a code of compliance certificate under the Building Act;
- Withhold a service connection to a development;
- In each case the Council may register the Development Contribution under the Statutory Land Charges Registration Act 1928 as a charge on the title of the land for which the contribution was required.

In the event where a lawful debt is unrecovered Council will commence debt collection in accordance with normal debt collection processes.

## **1.21 Refund of Contributions**

Different refund rules apply to financial contributions and development contributions.

**Financial Contributions** – credits and refunds are detailed in section 15.5.2 of the District Plan. This section identifies the following in relation to refunds.

(a) Where:

- (i) A resource consent which includes a condition requiring a financial contribution lapses or is cancelled or surrendered in accordance with the provisions of the Act; or
- (ii) The activity or relevant part of the activity in respect of which the resource consent was granted does not proceed.

Council shall pay or return to the person entitled in accordance with 15.5.3(a)(v) below the financial contribution less a value equivalent to the costs incurred by the Council in relation to the activity and its discontinuance provided that Council shall not repay or credit the value of any work or services actually provided as a result of a financial contribution of money before the resource consent lapses, or is cancelled or surrendered, or does not proceed.

and:

- (d) Where a financial contribution is made for the provision of a particular work or service and the Council subsequently resolves not to proceed with that work or to provide that service or where the work does not proceed within a time period of 10 years from the date that the contribution is paid or such shorter or longer time period as stated in the resource consent, the financial contribution shall be refunded to that person entitled in accordance with 15.5.3(a)(v) below plus the value of any interest accrued on the financial contribution whilst in the possession of the Council less

the costs incurred by the Council in relation to design or other costs incurred in planning for the provision of the particular work or service.

**Development Contributions** – Sections 209 and 210 of the LGA 2002 outline the circumstances in which the Council must refund or return to the consent holder a development contribution. These include:

- Where a development or building does not proceed, the resource consent or building consent lapses or the resource consent is surrendered.
- Where the Council does not provide the reserve, network infrastructure or community infrastructure for which the development contribution was required.

Where Council required a development/financial contribution as part of subdivision or development activities and where the documentation (resource consent, building consent or service connection authorisation) permitting that subdivision or development has lapsed, Council will refund the contribution if paid. This does not prevent Council from requiring development/financial contributions in the future. Council may retain a portion of the contribution of a value equivalent to the costs incurred by the Council in processing/assessing the contribution required by the subdivision or development.

## 1.22 Delegations

Council shall determine where a development or financial contribution will be sought. It has the authority to set the quantum of those contributions. The Chief Executive will ensure the Policy is implemented.

## 1.23 Administration

Council's planning department will be responsible for issuing Development Contribution Demands on the relevant applications.

# Section C: Supporting Information

## 1.24 Summary Disclosure Tables

The following tables show a summary of each contributing area for the 10-year period between 2018/19 and 2027/28. The tables demonstrate the nature and level of expected capital expenditure required by Council and the portion that is attributable to growth. A table is produced for each activity which shows the CAPEX for each contributing area where a contribution has been assessed. The CAPEX attributable to growth is apportioned equitably among the growth population to define a set charge for each dwelling equivalent.

The following tables also detail the growth related debt levels for each contributing area. These define the interest component of the contributions. The tables show the growth CAPEX consumed by each contributing area and the dwelling equivalent growth used to calculate the development contributions.

The detailed disclosure tables, including Schedule of Asset tables can be found in the appendices of the Detailed Supporting Document.

**Table 7: Water Supply - Capital Expenditure for Development Contributions (Policy Year \$'s)**

| Contributing Area    | Historical Expenditure | Total Capital Expenditure | Growth Capital Expenditure (excl. interest) | Growth Capital Expenditure (incl. interest) | Growth costs consumed - historic capex | Growth costs consumed - future capex | Growth costs consumed - TOTAL | Analysis Period Dwelling Equivalents | Development Contribution per Dwelling Equivalent |
|----------------------|------------------------|---------------------------|---|---|--|--------------------------------------|-------------------------------|--------------------------------------|--|
| Alexandra and Clyde  | 19,641,241             | 43,719,247                | 10,436,576                                  | 13,740,059                                  | 1,602,799                              | 4,263,295                            | 5,866,094                     | 932                                  | 6,295  |
| Cromwell             | 8,148,055              | 22,486,110                | 10,119,696                                  | 12,107,355                                  | 834,986                                | 2,589,215                            | 3,424,201                     | 729                                  | 4,695  |
| Omakau               | 2,552,614              | 3,406,494                 | 650,476                                     | 202,703                                     | 230,971                                | 40,158                               | 271,130                       | 45                                   | 5,964  |
| Ranfurly             | 1,659,313              | 2,350,548                 | 152,389                                     | 79,187                                      | 38,689                                 | 42,900                               | 81,590                        | 46                                   | 1,765  |
| Roxburgh             | 3,545,299              | 3,662,199                 | 60,668                                      | 82,113                                      | 36,275                                 | 3,182                                | 39,457                        | 34                                   | 1,156  |
| Naseby               | 1,412,278              | 1,544,426                 | 18,597                                      | 22,857                                      | 25,336                                 | 1,343                                | 26,679                        | 11                                   | 2,524  |
| Patearoa             | 665,309                | 1,000,762                 | 18,597                                      | 22,857                                      | 1,016                                  | 11,142                               | 12,157                        | 8                                    | 1,510  |
| <b>District Wide</b> | <b>37,624,109</b>      | <b>78,169,785</b>         | <b>21,517,589</b>                           | <b>26,911,993</b>                           | <b>2,770,073</b>                       | <b>6,951,235</b>                     | <b>9,721,309</b>              | <b>1,805</b>                         | <b>23,911</b>                                    |

**Table 8: Water Supply - Debt Funding Ratio - 10 Year Net Growth versus Revenue Assessment**

| Contributing Area    | LTP CAPEX (Policy Year \$) | LTP Growth CAPEX (Policy Year \$) | New Dwelling Equivalents | Cumulative Development Contributions Received (Policy Year \$) | Debt Balance     | Debt Funding Ratio |
|----------------------|----------------------------|-----------------------------------|--------------------------|--|------------------|--------------------|
| Alexandra and Clyde  | 24,078,006                 | 7,908,942                         | 932                      | 5,866,094  | 2,787,852        | 49%                |
| Cromwell             | 14,338,055                 | 7,222,934                         | 729                      | 3,424,201  | 3,798,733        | 31%                |
| Omakau               | 853,879                    | 187,893                           | 45                       | 271,130  | -155,311         | 0%                 |
| Ranfurly             | 691,236                    | 76,166                            | 46                       | 81,590   | 49,092           | 64%                |
| Roxburgh             | 116,900                    | 7,841                             | 34                       | 39,457   | 31,785           | 68%                |
| Naseby               | 132,148                    | 5,601                             | 11                       | 26,679   | 26,564           | 70%                |
| Patearoa             | 335,453                    | 15,993                            | 8                        | 12,157   | 3,836            | 45%                |
| <b>District Wide</b> | <b>40,545,676</b>          | <b>15,425,370</b>                 | <b>1,805</b>             | <b>9,721,309</b>   | <b>6,542,551</b> |                    |

Table 9: Wastewater - Capital Expenditure for Development Contributions (Policy Year \$'s)

| Contributing Area    | Historical Expenditure | Total Capital Expenditure | Growth Capital Expenditure (excl. interest) | Growth Capital Expenditure (incl. interest) | Growth costs consumed - historic capex | Growth costs consumed - future capex | Growth costs consumed - TOTAL | Analysis Period Dwelling Equivalents | Development Contribution per Dwelling Equivalent |
|----------------------|------------------------|---------------------------|---|---|--|--------------------------------------|-------------------------------|--------------------------------------|--|
| Alexandra and Clyde  | 11,777,641             | 26,059,787                | 3,831,969                                   | 3,680,087                                   | 970,032                                | 1,532,130                            | 2,502,161                     | 432                                  | 5,795  |
| Cromwell             | 21,842,060             | 27,684,227                | 9,216,168                                   | 9,216,168                                   | 2,436,661                              | 658,760                              | 3,095,421                     | 778                                  | 3,979  |
| Omakau               | 511,406                | 714,711                   | 69,564                                      | 69,564                                      | 11,763                                 | 23,446                               | 35,210                        | 32                                   | 1,108  |
| Ranfurlly            | 813,028                | 813,028                   | 29,095                                      | 29,095                                      | 10,854                                 | 0                                    | 10,854                        | 45                                   | 244  |
| Roxburgh             | 1,071,281              | 1,071,281                 | 41,321                                      | 56,753                                      | 14,063                                 | 0                                    | 14,063                        | 34                                   | 413  |
| Naseby               | 226,221                | 226,221                   | 4,300                                       | 6,287                                       | 1,642                                  | 0                                    | 1,642                         | 11                                   | 149  |
| <b>District Wide</b> | <b>36,241,637</b>      | <b>56,569,255</b>         | <b>13,192,416</b>                           | <b>13,057,953</b>                           | <b>3,445,015</b>                       | <b>2,214,336</b>                     | <b>5,659,351</b>              | <b>1,331</b>                         |  |

Table 10: Wastewater - Debt Funding Ratio - 10 Year Net Growth versus Revenue Assessment

| Contributing Area    | LTP CAPEX (Policy Year \$) | LTP Growth CAPEX (Policy Year \$) | New Dwelling Equivalents | Cumulative Development Contributions Received (Policy Year \$) | Debt Balance      | Debt Funding Ratio |
|----------------------|----------------------------|-----------------------------------|--------------------------|--|-------------------|--------------------|
| Alexandra and Clyde  | 14,561,052                 | 2,501,675                         | 432                      | 2,502,161  | 427,164           | 45%                |
| Cromwell             | 5,842,167                  | 2,206,696                         | 778                      | 3,095,421  | -1,532,384        | 0%                 |
| Omakau               | 203,305                    | 43,148                            | 32                       | 35,210   | -48,035           | 0%                 |
| Ranfurlly            | 0                          | -                                 | 45                       | 10,854   | -6,806            | 0%                 |
| Roxburgh             | 0                          | -                                 | 34                       | 14,063   | 14,354            | 73%                |
| Naseby               | 0                          | -                                 | 11                       | 1,642  | 3,042             | 80%                |
| <b>District Wide</b> | <b>20,606,524</b>          | <b>4,751,520</b>                  | <b>1,331</b>             | <b>5,659,351</b>   | <b>-1,142,665</b> |                    |

**Table 11: Roading - Capital Expenditure for Development Contributions (Policy Year \$'s)**

| Contributing Area | Historical Expenditure | Total Capital Expenditure | Growth Capital Expenditure (excl. interest) | Growth Capital Expenditure (incl. interest) | Growth costs consumed - historic capex | Growth costs consumed - future capex | Growth costs consumed - TOTAL | Analysis Period Dwelling Equivalents | Development Contribution per Dwelling Equivalent |
|-------------------|------------------------|---------------------------|---|---|--|--------------------------------------|-------------------------------|--------------------------------------|--|
| District Wide     | 87,571,190             | 144,909,382               | 11,701,480                                  | 16,740,130                                  | 2,080,409                              | 1,930,618                            | 4,011,027                     | 2,264                                | 1,772  |

**Table 12: Roading - Debt Funding Ratio - 10 Year Net Growth versus Revenue Assessment**

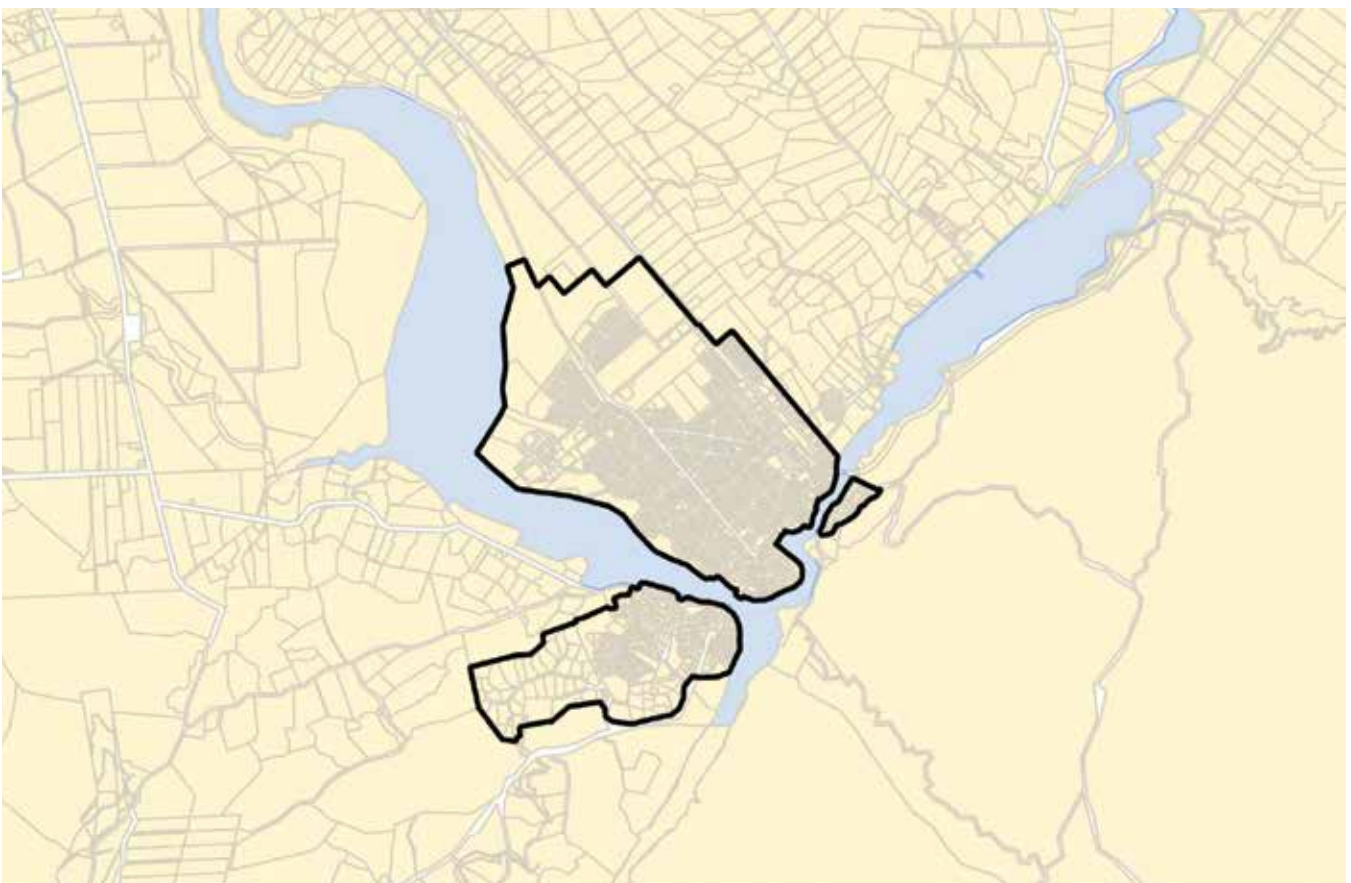
| Contributing Area | LTP CAPEX (Policy Year \$) | LTP Growth CAPEX (Policy Year \$) | New Dwelling Equivalents | Cumulative Development Contributions Received (Policy Year \$) | Debt Balance | Debt Funding Ratio |
|-------------------|----------------------------|-----------------------------------|--------------------------|--|--------------|--------------------|
| District Wide     | 57,338,192                 | 5,693,631                         | 2,264                    | 4,011,027  | 6,034,899    | 71%                |

## 1.25 Scheme Maps

**ALEXANDRA & CLYDE WATER SUPPLY – SCHEME BOUNDARY**



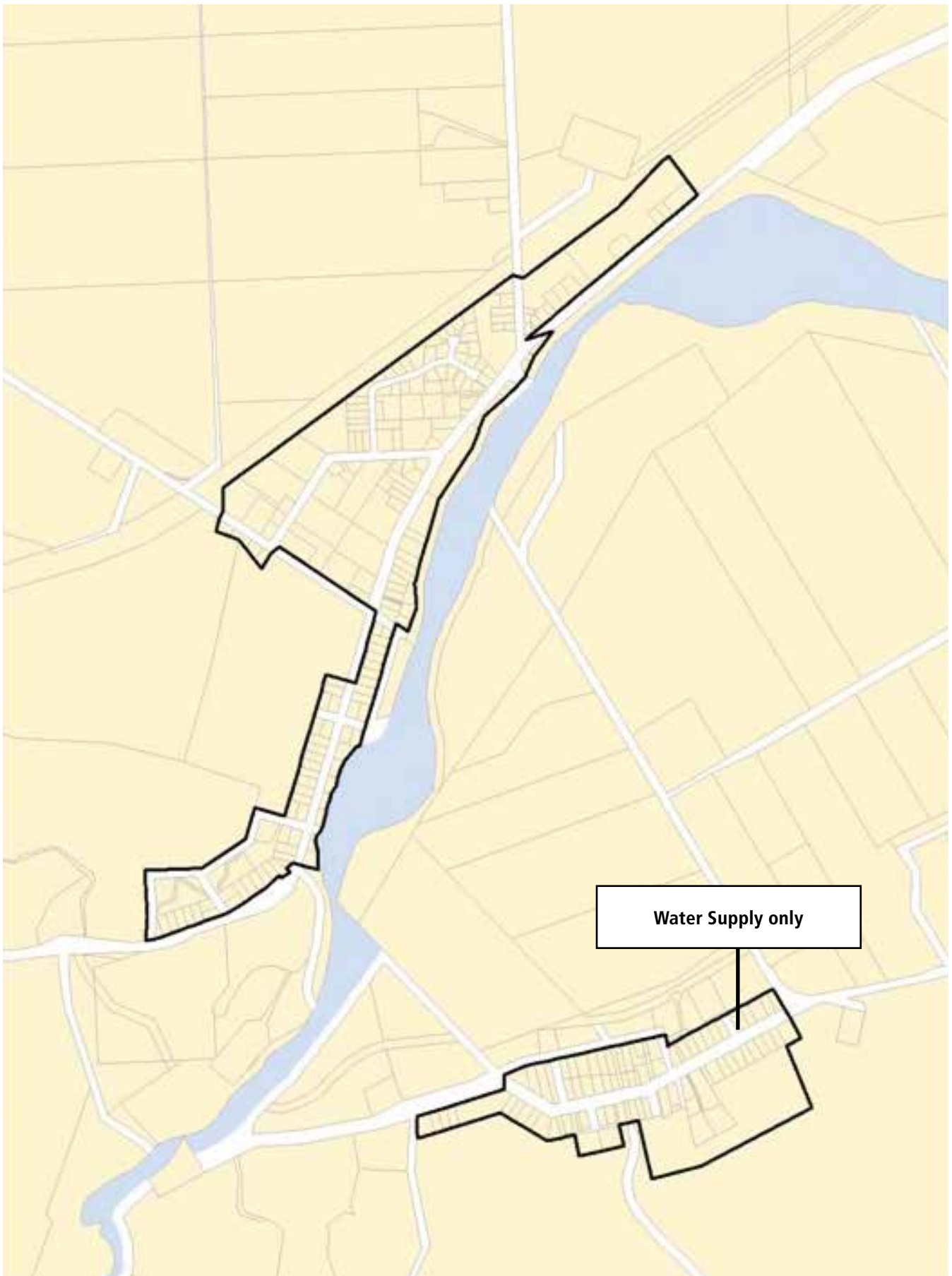
**ALEXANDRA WASTEWATER – SCHEME BOUNDARY**



**CLYDE WASTEWATER – SCHEME BOUNDARY**

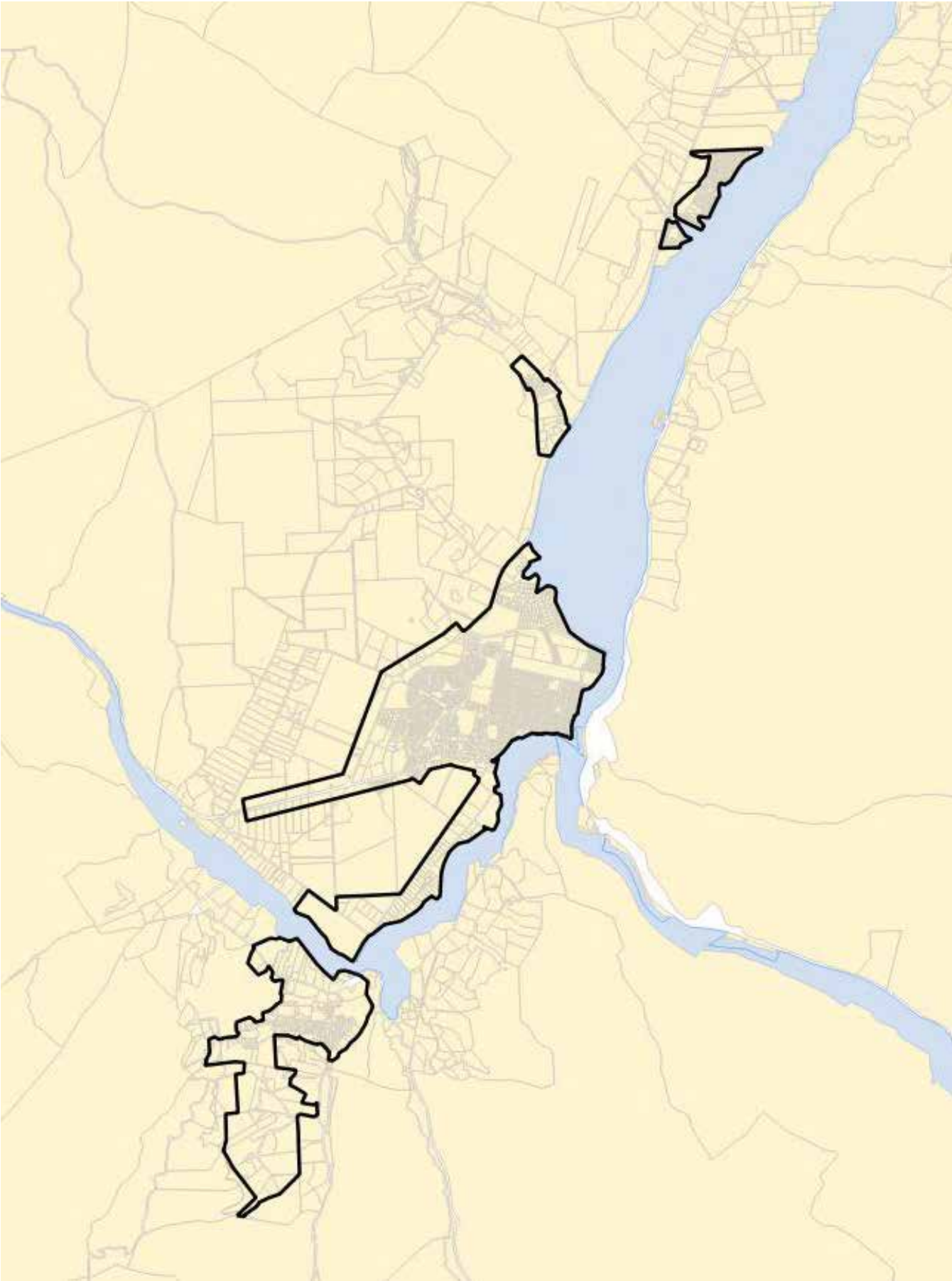


**OMAKAU / OPHIR WATER SUPPLY & WASTEWATER – SCHEME BOUNDARIES**

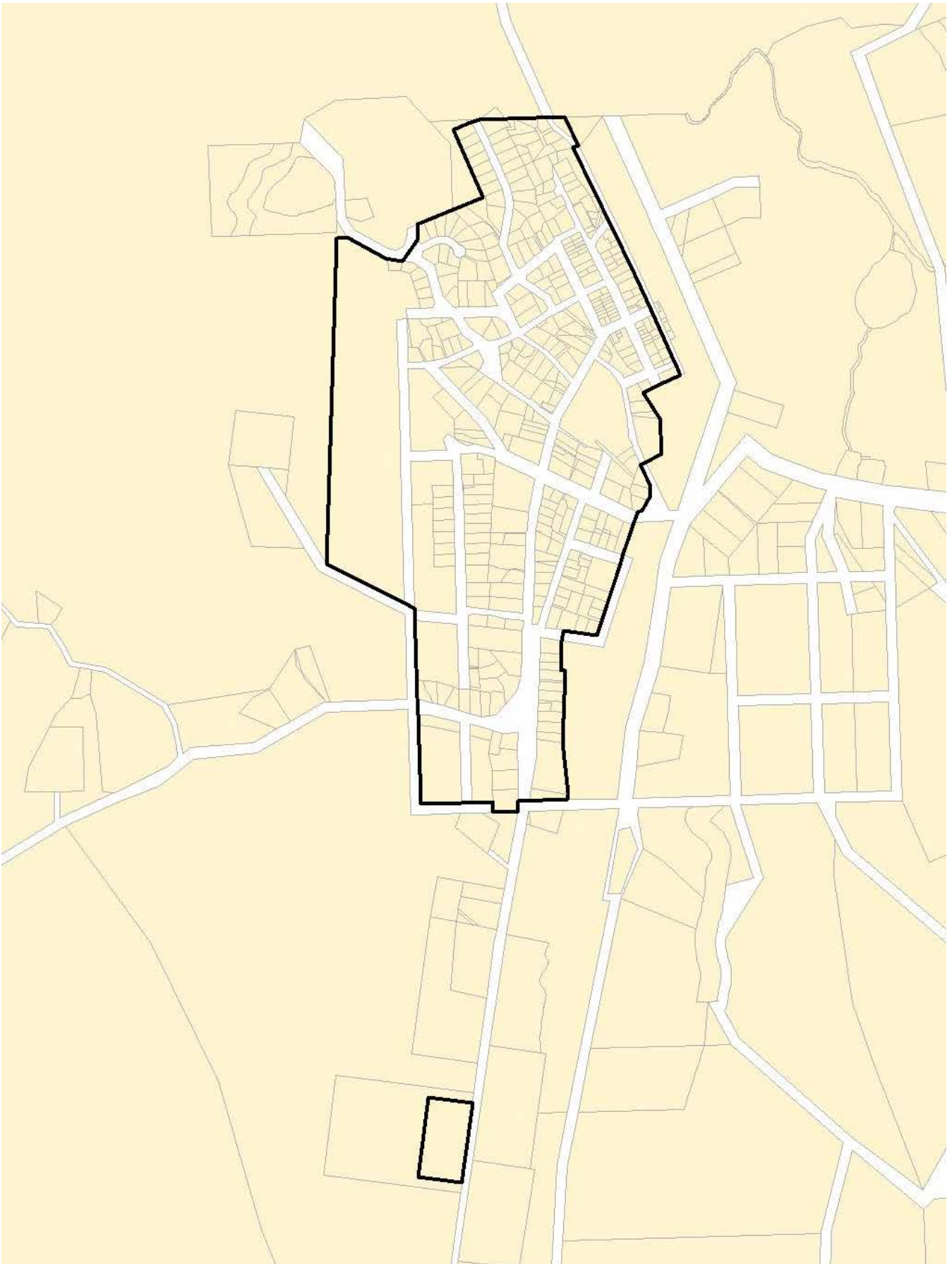




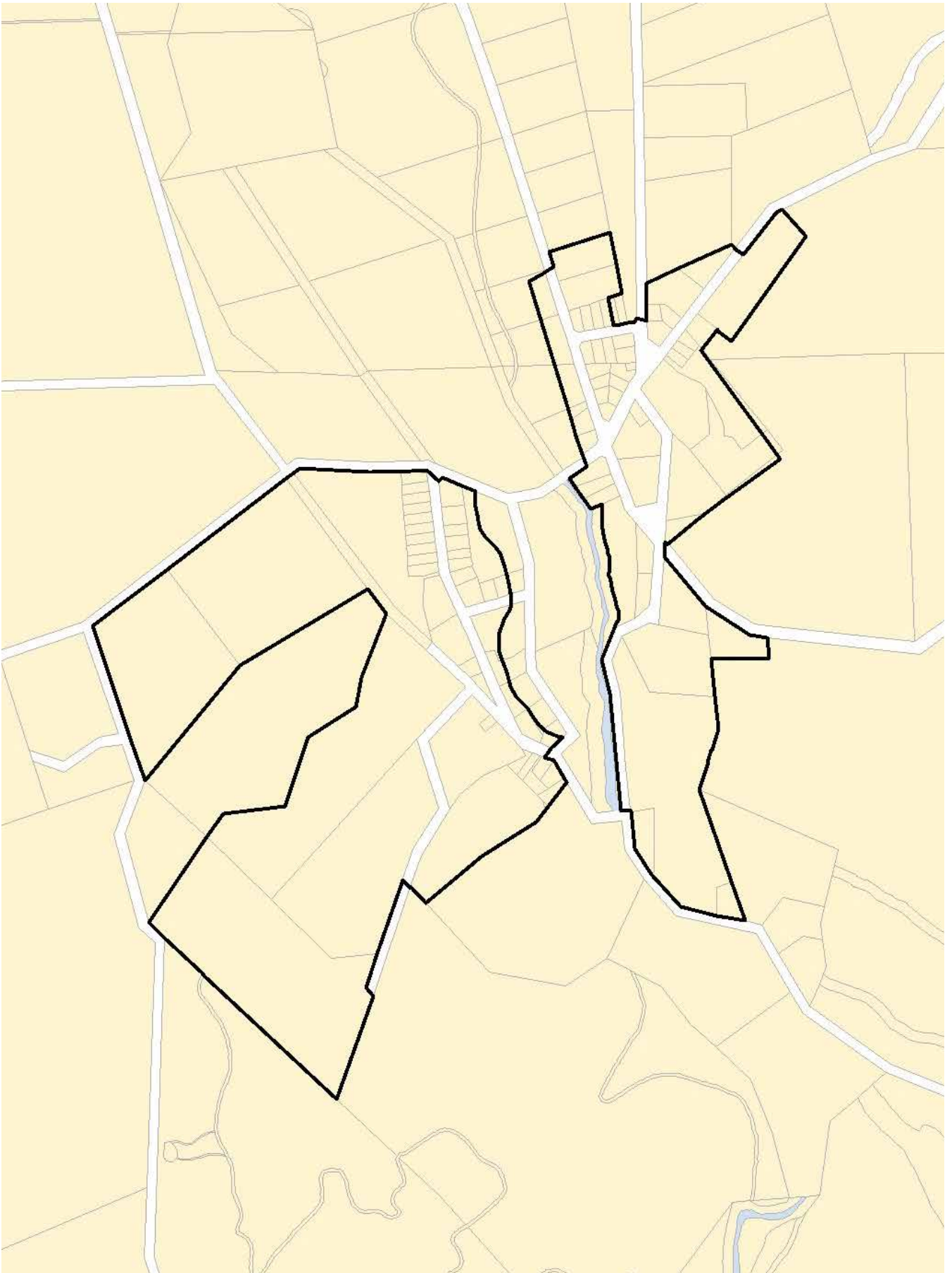
CROMWELL WATER SUPPLY & WASTEWATER – SCHEME BOUNDARY



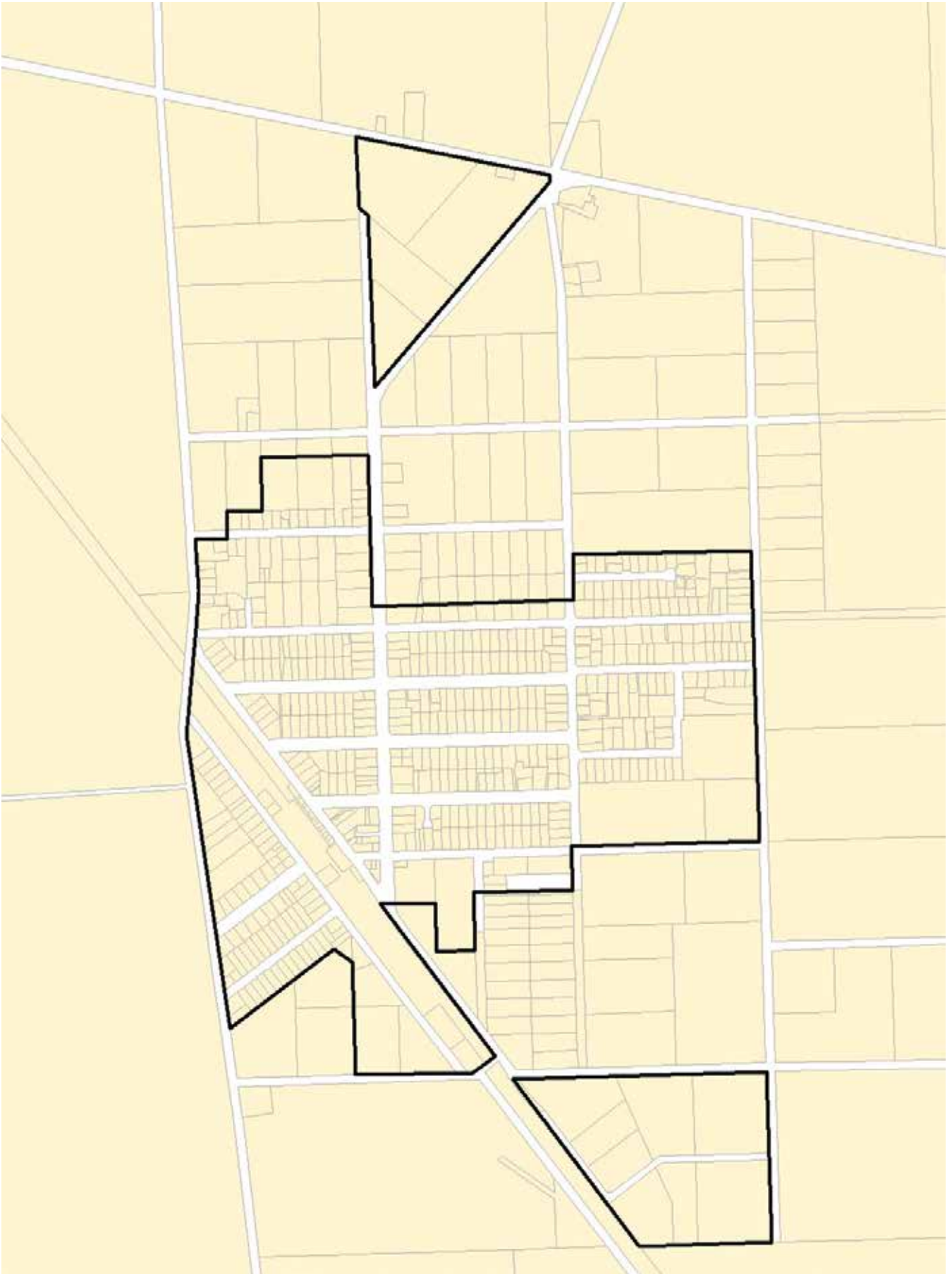
**NASEBY URBAN WATER SUPPLY AND WASTEWATER – SCHEME BOUNDARY**



**PATEAROA URBAN WATER SUPPLY – SCHEME BOUNDARY**

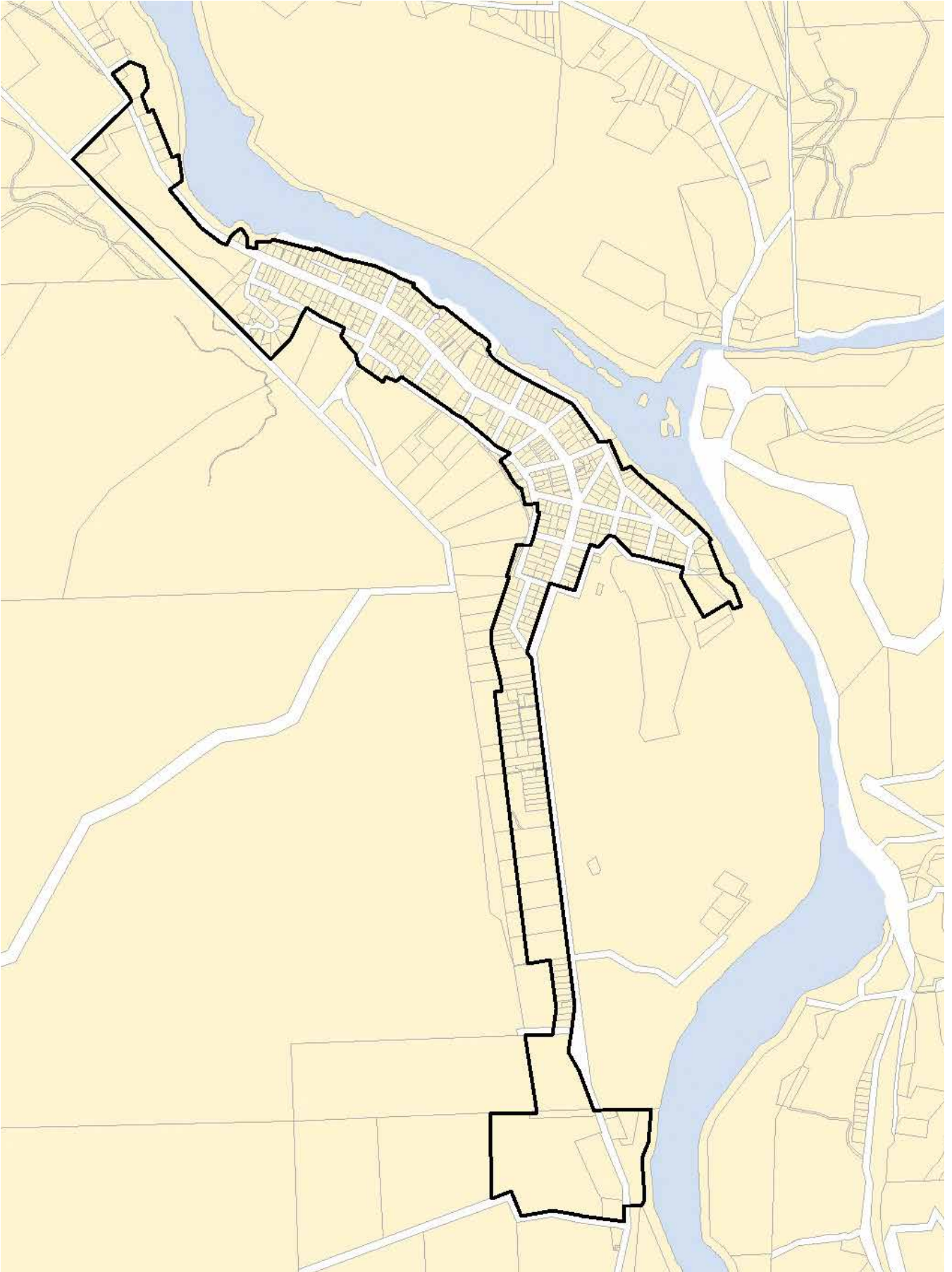


**RANFURLY URBAN WATER SUPPLY AND WASTEWATER – SCHEME BOUNDARY**



**ROXBURGH WATER SUPPLY AND WASTEWATER – SCHEME BOUNDARY (shown on two maps)**

**1. ROXBURGH**



2. LAKE ROXBURGH VILLAGE

