

Policy: Development Contributions and Financial Contributions

Introduction:

The Policy on Development Contributions and Financial Contributions outlines the Council's policy on the use of development and financial contributions. A development or financial contribution is a contribution of money or land (including reserve land), or both.

1 PREAMBLE

Under the Local Government Act, the Council is required to have a policy on development contributions and financial contributions as part of its funding and financial policies. Development contributions may be required if the Council's policy is to collect development contributions.

From 1 July 2015 Council will not require development contributions for development that triggers section 198(1) of the Local Government Act 2002 ("LGA") on or after 1 July 2015. This changes the practice from the period 1 July 2004 to 30 June 2015 when development contributions have been required for new recreation facilities and roading.

It is Council policy to continue to collect development contributions for assessments made on or before 30 June 2015 and to allocate the development contributions collected for qualifying projects previously included in Councils former policies for development contributions on the same basis as previously prescribed. These projects are identified in the 2015-25 Long Term Plan.

Financial contributions are currently taken by Council as consent conditions for subdivision and land use activities approved under the Resource Management Act 1991("RMA"). Formulae are specified in the District Plan for collecting financial contributions to remedy or mitigate the adverse effects of subdivisions on District roads and reserves.

Financial contributions for reserves and subdivision undertaken on roads listed under Section 11.3.4.4 of the District Plan will continue to be collected under the District Plan provisions. This is to enable Council to recover 100% of the cost of upgrading a number of identified roads in the District that are currently at capacity and where additional traffic loading would make the use of those roads non-viable.

2 DEVELOPMENT POLICY

The Ōpōtiki District Council policy is to cease the requirement for development contributions for new development from 1 July 2015.

3 CIRCUMSTANCES WHERE A DEVELOPMENT CONTRIBUTION IS PAYABLE

The Council will not require development contributions for development that triggers section 198(1) of the LGA from 1 July 2015.

4 CAPITAL EXPENDITURE FOR COMMUNITY FACILITIES

Except for development contributions required under assessments prior to 1 July 2015 to meet the components of qualifying capital works projects for community infrastructure arising from growth, the Council will fund the remaining costs of capital works for other community facilities from other sources.

See Table 1 for the estimate of capital expenditure for which development contributions collected prior to 1 July 2015 will be allocated.

5 REFUNDS OF DEVELOPMENT CONTRIBUTIONS

Section 209 of the LGA applies, and requires the refund of money or return of land if:

- The resource consent lapses or is surrendered; or
- The building consent lapses; or
- The development or building in respect of which the resource consent or building consent was granted does not proceed; or
- The Council does not provide the reserve, network infrastructure or community infrastructure for which the development contribution was required.

The Council may retain any portion of a development contribution or land of a value equivalent to the costs incurred by the Council in relation to the development or building and its discontinuance.

6 DEVELOPMENT CONTRIBUTIONS AND FINANCIAL CONTRIBUTIONS

Development Contributions under the LGA are different from Financial Contributions under the Resource Management Act 1991 (RMA).

Financial contributions under the RMA are primarily used for infrastructure provision as mitigation of the effects of activities whereas development contributions have in the past been used for capital improvements to land (e.g. playgrounds, toilets, pavilions, car parking, roading upgrades) required as a result of growth.

The Council has in place financial contributions policies, objectives and rules in the District Plan. These are summarised below.

The Council may include conditions requiring financial contributions as defined in Section 108(9) of the RMA upon the granting of a resource consent. Financial contributions are imposed for the

purpose of achieving the objectives of the District Plan. This section contains general objectives, policies, and rules relating to financial contributions.

Financial contributions are imposed so that the costs associated with new development or activity do not fall inequitably upon the entire community. The District Plan uses financial contributions to build into the cost of any new development any physical and environmental costs that can be identified.

Contributions are imposed in respect to roads, water supply, storm water, sewerage, reserves, and parking. They are intended to cover a fair share of the cost of expanding the capacity of existing systems to cope with additional demand from new development or activity. They are also intended to impose upon the developer a fair share of the burden of avoiding, remedying, or mitigating the adverse effects resulting from development and new activity.

Having considered the factors in section 101(3) of the LGFA, the Council recognises that development in different parts of the district places different costs on Council and different loadings on infrastructural systems. A flat fee across the entire district would be unfair for development in areas where there are low additional costs. Financial contributions will reflect as close as possible the actual costs associated with ensuring positive effects from anticipated development.

7 EXPLANATION OF FINANCIAL CONTRIBUTION PROVISIONS

The provisions that relate to financial contributions in the District Plan prepared under the RMA are detailed in Section 1 of the Ōpōtiki District Plan. These provisions include a statement of the resource management issues, the objectives and policies, the rules, an explanation of reasons for the provisions and the anticipated environmental outcomes.

There are specific rules which:

- authorise the imposition of conditions of resource consent relating to financial contributions; and
- provide for the manner in which the Council will assess whether to impose conditions requiring financial contributions and the amount of such contributions; for:
 - (i) car parking (rule 11.3.3), based on the cost of forming the number of car parks required by an activity pursuant to the development rules in the Plan but not otherwise provided;
 - (ii) roading (rule 11.3.4), based on the cost of road formation, sealing or other roading works required as a result of the consented development, and depending on whether the relevant road is sealed or unsealed;
 - (iii) water supply, sewerage networks and stormwater treatment (rule 11.3.5), based on the upgrade costs of those network services required as a result of the development;
 - (iv) reserves (rule 11.3.6), based on the cost of acquiring and improving reserves to meet increases in the number of households, which has been calculated as \$790 (excluding GST) per new allotment created.

These financial contribution provisions are intended to deal with the effects of activities, including the effect of growth on infrastructure and the need to fund increased capacity of that infrastructure to avoid other adverse effects (such as congestion, flooding etc).

8 POLICY REVIEW

The Council next expects to review this policy during the preparation of the 2018-28 LTP. Any proposed amendment to the policy before that time will be consulted on in a manner that gives effect to the requirements of section 82 of the LGA.

Table 1: Estimated capital expenditure and funding of growth for previous qualifying recreational facilities projects

Expenditure	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Recreational Facilities	261,388	130,615	96,282	99,157	102,237	105,720	109,290			
Growth @ 15%	39,208	19,592	14,442	14,874	15,336	15,858	16,394			
Funding										
Development Contributions	39,208	19,592	14,442	14,874	15,336	15,858	16,394			
Other sources	222,180	111,023	81,840	84,283	86,901	89,862	92,896			
Total	261,388	130,615	96,282	99,157	102,237	105,720	109,290	0	0	0

Council has determined the funding sources as disclosed in the table above as being an appropriate allocation of the contributions already collected.

The above table indicates where Council will spend development contributions that it has received.

Council may also collect financial contributions as identified earlier however there are no specific projects in the Long Term Plan that we allocate Financial Contributions to. These are generally used to mitigate adverse effects of a specific resource consent application initiated by a ratepayer or developer. We haven't made any assumptions about when these will occur.

Any financial contributions collected will be used as specified in consent conditions of the resource consent. These will generally relate to the requirement for car parking, roading, water supply, sewerage networks, storm water treatment, and reserves.

General advice (not forming part of the Policy): Council has a new funding policy for capital expenditure to be adopted as part of the 2015-25 Long Term Plan. Notwithstanding the application of contributions already collected, capital expenditure will be funded as follows from 1 July 2015;

Expenditure Type	Funding Source
Renewal of existing assets	Depreciation Reserves
Increase in level of service	Loan
Growth in demand	Loan

* All types of capital expenditure may be funded by subsidies, in fact grant and subsidy revenue is sought to help fund any expenditure where there is funding available.