

Development Contributions Policy

POLICY TITLE:

Development Contributions or Financial Contributions (support policy)

Lead Policy Revenue and Financing

1.0 Policy Objectives

To ensure that new development contributes fairly to the funding of Tauranga's infrastructural and service requirements.

To charge a development or financial contribution from new dwellings or household units, other residential activities, visitor accommodation, business activities and other non-residential development in the city to cover capital expenditure for **city-wide** network infrastructure, reserve land and community infrastructure.

To charge a development or financial contribution from subdivision and development in the city to cover capital expenditure for **local** network infrastructure, reserve land and community infrastructure.

2.0 Principles

Effective planning, provision and funding of infrastructure can assist sustainable resource use and prudent financial management by the Council. The expected capital expenditure on network infrastructure: new or additional assets or assets of increased capacity resulting from the effects of new development should be contributed to by that development.

Development contributions and financial contributions should be based on the likely and foreseeable public capital expenditure that Council expects to incur from growth in the city. This includes capital expenditure Council has already incurred in anticipation of growth.

Development contributions and financial contributions should be applied in a fair and equitable manner and have due regard to Council's other financial management policies. This includes assessing the benefits that may accrue to the whole or parts of the community.

Development contributions and financial contributions need to be able to be reviewed on an annual basis, having regard to changes that affect the provision of services by Council, including cost estimates and construction costs.

Development contributions can be applied at both a local and city-wide infrastructure level, based on the activity type or geographic spread of the service. The following approach is applied in Tauranga City:

Activity Type: Water

- Local: Clearly services a locally defined area or catchment.
- City-wide: Main trunk network that as a whole services the entire city.

Activity Type: Wastewater

- Local: All wastewater pipes and related infrastructure such as pump stations that convey untreated wastewater.
- City-wide: Wastewater treatment plants and outfall pipelines.

Activity Type: Stormwater

- Local: Clearly services a locally defined area or catchment.
- Not applicable.

Activity Type: Transportation

- Local: Transportation infrastructure only needed for growth in the particular area.
- City-wide: Transportation infrastructure where the origin and destination of trips is all over the city, beyond local trips.

Activity Type: Active Reserves

- Local: Not applicable.
- City-wide: designed to cater for a range of active sports and recreation needs of the city population.

Activity Type: Neighbourhood Reserves

- Local: amenity reserves generally within 400-500m of a property.
- City-wide: Not applicable.

Activity Type: Community Infrastructure

- Local: Specific local facility or development of local facility.
- City-wide: Interconnected network of facilities or development of facilities serving a city or sub regional catchment.

3.0 Definitions

Where a word or words is given a defined meaning below, any other grammatical form in respect of such word or words has a corresponding meaning.

Active Reserves means large reserves that provide for a wide range of activities, including formal sports, events and casual use, and provide wide open green space within the urban environment.

Activity means a good or service provided by the Council (as defined by section 5 of the Local Government Act 2002) and for which development contributions are normally collected.

Allotment means an allotment as defined by Section 218 of the Resource Management Act 1991.

Business Activity means the use of land and buildings for business purposes in accordance with the provisions of the Tauranga District Plan or resource consent. It also includes the use of land and buildings for visitor accommodation purposes, or for purposes that are not principally for commercial gain but provide employment (this includes but is not limited to schools and other educational facilities, public hospitals, police and fire stations and not-for-profit or voluntary organisations).

City-wide Infrastructure means the bulk services (network infrastructure), reserve land or community infrastructure provided for the development of the city as a whole, either as additional assets or by increasing the capacity of existing assets required as a result of demand from growth-related development, and which is not specifically provided by a development as part of local infrastructure.

City-wide infrastructure may include infrastructure projects that individually do not provide for growth across the whole city but as a network they do provide for growth across the whole city in circumstances where Council has adopted this approach.

Community Infrastructure means land, or development assets on land, owned or controlled by the territorial authority to provide public amenities, and includes land that the territorial authority will acquire for that purpose.

The capital cost of providing and developing sub-regional community facilities is also part of community infrastructure.

Community Organisation means the use of land or buildings for activities where people congregate on an organised basis for community activities such as recreation, worship or culture. This is limited to religious facilities, not-for-profit sports and social clubs, marae, museums, art galleries, libraries, community centres and community halls.

Development means any subdivision or other development that generates a demand for reserves, network infrastructure or community infrastructure, but does not include the pipes or lines of a network utility operator.

Development Contribution means a contribution –

- provided for in a development contribution policy included in the Long-Term Council Community Plan (LTCCP) of a territorial authority; and
- calculated in accordance with the methodology set out in the policy schedule; and comprising:
- money; or

- land, including a reserve or esplanade reserve (other than in relation to a subdivision consent), but excluding Maori land within the meaning of Te Ture Whenua Maori Act 1993, unless that Act provides otherwise; or
- both

and shall have the same meaning as 'development contribution' in section 197(1) of the Local Government Act 2002.

Financial Contribution has the same meaning as in Section 108(9) of the Resource Management Act 1991.

Gross Floor Area means the sum of the floor area or floors of a building or buildings measured from the external walls, or from the centreline of walls separating two buildings, including mezzanine floors and internal balconies.

Household Unit means a building or part of a building intended to be used as an independent residence, including, but not limited to, apartments, semi-detached or detached houses, units, town houses and caravans (where used as a place of residence or occupied for a period of time exceeding six months in a calendar year). To avoid doubt, visitor accommodation units that are separately unit titles shall be considered as household units. For the purposes of this definition the following activities shall not be assessed as a household unit:

- Caravans and other mobile forms of accommodation located and serviced within an approved camping ground (that is: one that has received a resource consent or has existing use rights under Section 10 of the Resource Management Act 1991).
- Premises or parts thereof complying with the visitor accommodation provisions of the plan, up to and including 30 September 2000, or with resource consent to operate as visitor accommodation in which each unit is not separately unit titled.

For the purposes of calculating a development contribution or financial contribution related to growth demand under this policy, a household unit is based on the SmartGrowth household projection plus 10 percent, to take account of the portion of unoccupied household units that also contribute to the demand for new services.

Household Unit Equivalent means a type of 'unit of demand' that relates to the typical demand for infrastructure by an average household unit.

For the purposes of calculating a household unit equivalent development contribution under this policy for other residential activity, the household unit equivalent shall be the number of occupants the building is designed or licensed to accommodate, divided (÷) by 2.5 persons.

Local Infrastructure means those bulk services (network infrastructure), reserve land or community infrastructure provided for Tauranga City's Urban Growth Areas, either as additional assets or by increasing the capacity of existing assets required as a result of demand from growth-related development.

A local infrastructure project may provide for the development of multiple urban growth areas although not for development across the whole city.

Low Demand Business Activity means the use of land and buildings for the purposes of storage, warehousing, distribution or the operation of utility networks in circumstances where Council is satisfied that the proposed activity will have a relatively minor impact on its water and wastewater network on a per m² gross floor area basis relative to the impact of an average business activity as measured on the same basis.

Multi Unit Residential Development means one or more household units on a site over and above any existing household unit, and includes two or more comprehensively planned and designed residential dwelling units, other residential activities or visitor accommodation units.

Neighbourhood Reserve means land that primarily provides for use by local communities for casual recreation, play, relaxation, community activity, links to other areas or quiet open space. Neighbourhood reserves also provide visual contrast in the urban environment.

Network Infrastructure means the provision of roads and other transport, water, wastewater and stormwater collection and management, and includes land required for these purposes.

Ngati Kahu Kaumatua Household Unit means a household unit of not more than 50m² gross floor area erected within the Ngati Kahu Papakainga Zone at West Bethlehem. The household unit must contain no more than three habitable rooms.

Non-Residential Activity means any activity that is not defined as a dwelling unit, household unit or residential activity in the Policy. It includes but is not limited to, a business activity, a low demand business activity or a community organisation.

One Bedroom Dwelling means a household unit that has not more than two rooms, excluding a kitchen, laundry, bathroom, toilet or any room used solely as an entrance hall, passageway or garage. This includes studio apartments.

Planning Period means the period over which Council expects growth-related infrastructure to be built. This may vary for the different Council-provided activities. Council expects most of the development expected in an area to take place before the end of the relevant planning period.

Public Amenities means facilities, open spaces, plazas, libraries, halls, community centres and the like provided for public use, recreation and enjoyment.

Reserves means the provision of land for recreation, conservation, amenity and utilities such as stormwater catchment areas. These areas contribute to the open space network which provides community focal points, pedestrian and open space connections, high levels of amenity and feelings of openness, and a range of recreational opportunities.

Residential Activity is the use of land and buildings for domestic or related purposes by persons living alone or in family and/or non-family groups (whether any person is subject to care, supervision or not) and includes the portion of retirement villages and residential health care facilities where 24-hour on-site medical support to residents is provided, private dwellings, housing for the elderly, community housing, private functions and incidental private gatherings.

Residential activity excludes visitor accommodation and caravans or other mobile forms of accommodation, unless they are utilised for residential activities for periods of more than six months in any one calendar year.

For the purposes of this policy the household unit equivalent shall be used as the basis for calculating the contribution from Residential Activity. (Note: There is a separate approach for each defined household unit).

Service Connection has the same meaning as in section 197 of the Local Government Act 2002.

Two Bedroom Dwelling means a household unit that has not more than three rooms, excluding a kitchen, laundry, bathroom, toilet or any room used solely as an entrance hall, passageway or garage. Two-bedroom dwelling also means a household unit in a retirement village that is registered pursuant to section 10 of the Retirement Villages Act 2003 that does not meet the definition in the previous sentence or the definition of a one-bedroom dwelling.

Unit of Demand means the number of household units, or household unit equivalents, or an additional allotment of subdivision, or the equivalent demand from non-residential development for infrastructure and reserves proposed in response to city growth.

Urban Growth Area means a part of Tauranga City where residential and/or business growth is expected and in which growth-related local infrastructure projects have been identified. The Urban Growth Areas are identified in Table 2 of Schedule 1, Part 1 of the Policy and in the Tauranga City – Growth Areas map in Schedule 1, Part 4 of the Policy. To avoid doubt, the urban growth areas include both the Tauranga infill and Mount Maunganui infill areas.

Visitor Accommodation means land or buildings which are offered for temporary accommodation of persons and includes bed and breakfast establishments, backpackers' accommodation, home stay facilities, motels, hotels, tourist lodges, holiday flats, tourist cabins, motor inns and ancillary workrooms, reception areas and accessory buildings or ancillary activities on the site. This definition does not include activities defined in this policy as household unit or residential activity nor does it include any developments in which

each unit is separately unit titled. Each unit which is separately unit titled will be assessed as a household unit. Visitor accommodation developments are treated as business activities for the purpose of this Policy.

4.0 Background

The Local Government Act 2002 (the Act) requires council to adopt a policy on development contributions or financial contributions. This applies regardless of whether Council decides to charge:

- financial contributions under the Resource Management Act 1991;
- development contributions under the Local Government Act 2002; or
- both.

Council has used (and continues to use in some circumstances) the provisions of the Resource Management Act 1991 applied through its operative District Plan (Chapters 9 and 26) to charge a range of financial contributions intended to mitigate the effects of development on natural and physical resources of the city. This was applied as from 26 January 1996 for a growth period starting from 1991.

The Local Government Act 2002 contains new provisions for funding capital expenditure for reserves or infrastructure by means of development contributions where the expenditure is required as a consequence of new development in the city. The Council is required to set out its Development Contributions Policy as a component of its Long-Term Council Community Plan (LTCCP) and contributions can be required when this Policy has been adopted.

5.0 Policy Statement

5.1 Growth-Related Capital Expenditure

Strong growth rates are anticipated for the city as outlined in the SmartGrowth Strategy, the LTCCP and the District Plan. This has been translated into population and household projections so that development contributions can be calculated for growth-related capital expenditure. For business activity floor space projections have been prepared based on historical building consent information and SmartGrowth population projections.

The proportion of growth-related capital expenditure for each service activity or group of activities that will be funded by various funding sources, including development contributions over the planning period has been estimated as set out in Table 1. Also included is the movement on the financial reserves over the period of the Long-Term Council Community Plan (LTCCP).

Where possible Council will seek to initiate direct negotiations with appropriate parties including developers and Government agencies, to enter into voluntary agreements to forward fund growth-related capital expenditure.

5.2 Reasons for Using Development Contributions as a Funding Source

Strategic

Council plays a significant role in facilitating and where appropriate, coordinating development and providing infrastructure in a timely and affordable manner.

Council considers its role in the provision of network infrastructure as an essential part of its leadership and facilitation, public health and safety and growth management and sustainable development obligations to the city. It is a strategic role which neither individuals, the community, the private sector nor Central Government can appropriately fulfil on their own. The physical effects of growth, particularly the cumulative effects of individual subdivision and development decisions, requires Council to incur capital expenditure, acting on behalf of the wider community, to appropriately provide for new or additional services including in many circumstances capital expenditure in anticipation of growth. Funding tools such as development contributions are fundamental in meeting these needs.

A process called Tauranga Tomorrow was completed in line with the Local Government Act 2002 to identify community outcomes. These outcomes are set out in Part A of the Long-Term Council Community Plan. They are an articulation of what the Tauranga community feels is important now and in the future. The activities to be funded by development contributions all support the community outcomes in some way:

- **Reserves** contribute significantly to a city built to fit our hills, harbour and coast, a clean, green, valued environment, a vibrant, healthy and diverse community and a great place to grow up.
- **Network infrastructure** mainly contributes to a city easy to move around and a clean, green, valued environment
- **Community infrastructure** contributes to a vibrant, healthy and diverse community, actively involved people and a great place to grow up.

Fairness and Equity

A fair and equitable approach needs to be taken to funding the provision of this infrastructure having regard to existing and future populations. Existing population has already made considerable investment in services and enjoys the benefit of using those services. Those undertaking new development benefit from using, connecting to or extending existing services or supplying new services and must pay a fair share of the capital expenditure for this. Developers and new residents/businesses are also the segment of the community that creates the need to undertake growth-related projects in respect of the activity types covered by the development contributions policy.

Funding the capital expenditure for new or extended growth-related infrastructure from development contributions is considered a fair and equitable funding approach. They are to be applied alongside other funding tools to provide the appropriate balance of funding between the community, Council and those undertaking development.

Providing for infrastructure in anticipation of growth is also a core Council obligation in the promotion of the social, economic, environmental and cultural well-being of the community, in the present and for the future. In these situations development contributions will assist in recouping the growth-related portion of the public investment made by Council on behalf of the community.

Two further factors of equity to have regard to in relation to each activity are; the distribution of any benefits between the community as a whole, any identifiable part of the community and individuals, and the period over which benefits are expected to occur. This is reflected in the cost allocation methodology. For example, where people in the existing community may get benefit from an improved level of service. Council has assessed this in relation to each activity (this consideration is set out in the introduction to each activity chapter in Schedule 1 of this Policy) and for the major projects for which development contributions are proposed to be a funding source. Council recognises the period over which benefits are expected to occur by including, within the cost of growth to be funded by contributions under this policy, only the cost of providing additional capacity to meet demand within the planning period or the life of the asset.

It should be noted that just because the existing community may use new infrastructure it does not mean that they necessarily benefit from it. A number of growth-related infrastructure projects will result in the demand generated by the existing community being diverted from existing infrastructure to new infrastructure but with no noticeable change in the service provided by Council to the existing community (e.g. the southern pipeline and the Waiari water treatment plant). In some cases the diversion of existing flows is necessary to provide additional capacity in local or city-wide infrastructure to allow for further growth in areas where this existing infrastructure is at or near capacity. Where the diversion of existing demand occurs solely for this reason and the existing community notices no difference in the service provided by Council, a non-growth cost allocation associated with the diversion of existing flows is not recognised because there is no benefit to the existing community. However, Council will recognise a non-growth cost allocation if it is evident that the existing community will benefit from the diversion of flows (e.g. through a higher level of service) or where a project is required to replace existing infrastructure which is being abandoned.

Identification of Benefits

At a more detailed level the distribution of benefits in the funding of capital expenditure for growth related infrastructure can be identified by the percentage of development contribution/rates/other funding split for projects shown in the Development Contributions Schedule (Schedule 1). These benefits are either city-wide (at the city-wide services level), or localised neighbourhood/urban growth area (at the local services level) and differentiated between existing households (current population) and anticipated households (future population) for the planning period.

Section 101(3) matters

Tauranga City has considered the matters included in section 101(3) of the Local Government Act 2002 in developing the existing policy and proposed amendments to it, which are usually done annually. Using development contributions to fund the majority of growth related costs for these infrastructure activities (rather than rates or other funding tools) is considered to be appropriate for the following reasons:

- Development contributions are fair because they allocate growth costs to the section of the community that creates the need for Council to incur that expenditure, i.e. developers, new residents and new business activities.
- Development contributions allocate costs to those in the community who benefit most from the new assets or assets of additional capacity that are funded out of development contributions. They are based on the level of service that the Council has determined through the LTCCP. Some costs of growth are however still allocated to existing ratepayers (rather than the development community through development contributions), in recognition of the benefits they receive from these new or additional assets.
- Development contributions send clear signals to the development community about the true cost of growth and the capital costs of providing infrastructure to support that growth.
- Growth costs can be apportioned over time (a planning period or project life), so that members of the growth community pay for the capacity they use in the services network.
- Development contributions, as a dedicated funding source, offer secure and transparent funding to promote the community outcomes that are affected by growth. This is weighed up against the sustainable level of rates, financial contributions and other funding sources to support the sustainable development of the city.

Overall, it is considered fair and reasonable, and that the social, economic, environmental and cultural well-being of the community is best advanced through using development contributions to fund most of the costs of growth-related capital expenditure for activities covered by the Policy. Again, judgements made on cost allocations (between growth and other parts of the sub regional and city community) reflect this overall principle (section 101(3)(b)).

5.3 Significant Assumptions for the Calculation of Development Contributions

Projected Growth

That under the SmartGrowth Strategy Tauranga City has to accommodate approximately 70 percent of the anticipated sub-regional household growth plus significant business development, for the next 50 years. This growth will be accommodated through a mix of greenfield (approximately 70 percent) and intensification (approximately 30 percent). This means an increase of approximately 24,340 dwelling units or dwelling unit equivalents for Tauranga City. For the 20 year planning period (2001-2021) growth will take place primarily through Greenfield subdivision (Bethlehem, Pyes Pa, Ohauiti, Welcome Bay and Papamoa) and in established residential and commercial areas through a mix of infill, site redevelopment and comprehensive redevelopment of targeted "intensification" areas at Mount Maunganui and Te Papa (including Tauranga CBD).

This will place significant strain on the existing services assets with a need to provide and fund increased capacity or extension/additional services to meet growth demand.

Capital Expenditure

That the capital expenditure costs will be based on the best available knowledge at the time of preparation. These are to take into account known or likely construction costs and land values.

Full details of the projects for which development contributions are required and their cost estimates are set out in Schedule 1.

All project costings are prepared on the basis of the best knowledge and information available at the time. As the information changes, the project costings are updated as part of the annual review of the Development Contributions Policy. The level of confidence in the accuracy of the costings increases as the detailed knowledge of the project increases. The range in the level of accuracy (from least accurate to most accurate) is:

1. A desktop assessment of the cost based on knowledge and experience of similar projects.
2. An estimate based on a walkover of the site and a reasonably accurate understanding of the extent of the work.
3. An engineer's estimate prepared after the project has been designed.
4. A contract price for the work.
5. The actual cost of the completed work.

Consistent Development Contributions Policy

That the policy approach of recovering growth-related capital expenditure through development contributions will remain and Council will also need to invest in capital works projects built in anticipation of growth, for example, reserves and community infrastructure and transportation.

Other Assumptions

That the development contribution amounts are based on the inflation adjusted project cost estimates.

That project costs are reviewed and updated annually.

That development contributions fully include the cost of capital (debt servicing costs) as it is an integral component of funding growth-related infrastructure.

That New Zealand Transport Agency subsidy or other funding tools will be available for some transportation projects.

That methods of service delivery will remain similar to those at present.

5.4 Monitoring, Review and Development

Contribution Policy Update

Council considers that there are risks associated with the development contributions as a funding source and that these risks need to be managed. Monitoring will include:

- Whether the growth rate assumptions are being met. Development contribution revenue is particularly susceptible to a 'slow down' in development activity.
- Whether there is a significant lag between expenditure being incurred by Council and contributions received from development as a result of land market trends. Development activity is subject to market fluctuations/trends but is monitored using a combination of recent subdivision/building statistics and development sector information.
- Whether the cost of capital are greater or lesser than expected.
- Movements in the capital costs of providing services and the link to project cost estimates. (Information on costs is continually assessed through implementing the capital works programme).

Having regard to this risk management, Council will review and update the Development Contributions Policy and Schedule on an annual basis (as part of or as an amendment to the LTCCP) to take account of:

- Any changes in policy direction as Council continues to implement the LTCCP, Revenue and Financing Policy and SmartGrowth Implementation Plans.
- Any changes in the rate of population/dwelling growth or the pattern or location of development in the city.
- The addition or deletion of a growth-related capital project in/out of the schedule.
- Changes in the estimated cost of providing services determined by market rates obtained by competitive tender within the Western Bay area or, in the case of land, valuations by a registered valuer.
- Changes in the cost of providing services determined by reference to a nationally recognised price index.
- Changes to interest rates (relevant to the cost of capital component of development contributions).

- Correction of errors or omissions in the project estimates in the schedule.
- Incorporating any relevant actual costs of completed projects.

5.5 Activities for Funding Capital Expenditure of Growth

Council activities for which development and financial contributions will be used to fund growth related capital expenditure are:

- **network infrastructure** for stormwater, wastewater, water supply, transportation.
- **reserve land** acquisition for active and neighbourhood reserves and local community facilities.
- **community infrastructure** including the development of reserve land to use as reserve and facilities needed on that reserve and other public amenities, Tauranga central area parking and industrial street landscaping.

5.6 Financial Contributions

In some situations Council will require financial contributions pursuant to the Resource Management Act 1991 rather than development contributions pursuant to the Local Government Act 2002. These situations are:

- For building, subdivision or land use consents issued up to and including 30 June 2004;
- Where development contributions would normally be payable but the consent applicant has a statutory exemption from paying development contributions; and/or
- For local reserve land purchase and local reserve development in the Bethlehem, Welcome Bay, Ohauti, Papamoa, Pyes Pa, Tauranga infill and Mt Maunganui infill urban growth areas except in relation to resource consents lodged between 1 July 2004 and 30 June 2009.

The financial contributions payable will be assessed in accordance with the relevant provisions of the Tauranga District Plan.

5.7 Development Contributions – Local Government Act 2002 Requirements

A subdivision and/or development project within the city which forms the subject of a consent application or application for a service connection will be considered for whether payment of a development contribution is required. First, Council will determine whether it is a development as defined by section 197 of the Local Government Act 2002. That is, whether it generates a demand for reserves, network infrastructure or community infrastructure. Second, if a demand is generated Council will consider whether the subdivision or development, either alone or in combination with another development, requires new or additional assets or assets of increased capacity and, as a consequence, Council incurs capital expenditure to provide appropriately for reserves, network infrastructure and/or community infrastructure. Third, Council will check that the development contributions policy provides for the payment of a contribution in the circumstances.

Council will apply a development contribution to subdivision and development in accordance with the Development Contributions Policy and Schedule (Schedule 1) from 1 July 2004.

Development contributions will cover activities at two levels:

- City-wide infrastructure contributions, to be paid on the grant of a building consent or service connection authorisation at the time of issue.
- Local infrastructure contributions, to be paid at the time specified in a subdivision or land use consent, or in some specified circumstances/locations on the grant of a building consent or service connection authorisation at the time of issue.

Development contributions required are GST exclusive. GST will be added at the time of payment.

5.8 Cost of Capital

When the capital expenditure associated with the construction of an asset occurs before the associated revenue to fund this asset has been received, and a loan is raised as an interim funding mechanism to fund this capital expenditure, the interest on this loan is the cost of capital.

From the structure plans, project schedules, annual expenditure and revenue forecasts the net funding position (surplus or deficit) is summed annually and a net deficit attracts finance costs through the loan

which covers the impact fee revenue shortfall. The accumulated interest for the planning period is then allocated equally across the forecast number of units of demand (i.e. growth projections) in the planning period. This amount (i.e. interest per unit of demand for the planning period) is then added to the relevant contribution for both the city-wide and local infrastructure projects.

To ensure that the cost of capital component of development contributions is not set at an artificially high level because development contributions in the past were set too low relative to Council's current knowledge of costs, an adjustment has been made to Council's development contributions reserve balances to bring them to the level they should be at (based on the amount of growth that has taken place and the current contribution amounts).

To avoid doubt, in situations where the net funding position is in surplus Council earns interest instead of incurring interest and this reduces the development contributions payable.

The interest rates used in the calculation of cost of capital are consistent with the interest rate assumptions in Council's Long Term Council Community Plan or, for interest either incurred or received after the period the Long Term Council Community Plan applies to, the interest rates used are based on the best information available to Council.

5.9 Inflation

The impact of estimated future inflation has been included in the calculation of development contributions from 1 July 2008 except for the reserve and community infrastructure activities where inflation was included from 1 July 2009. The inflation rates used are currently drawn from work specifically done for Local Government by BERL. The inflation rates used will be reviewed annually to ensure they remain appropriate.

5.10 Low Demand Dwellings

Residential dwellings that meet the definition in this Policy of either a one bedroom dwelling or a two bedroom dwelling attract a lower unit of demand and thus lower building impact fees than other residential dwellings. The standard unit of demand for a residential dwelling is 1.0 units of demand. A one bedroom dwelling attracts 0.50 units of demand and a two bedroom dwelling 0.65 units of demand.

As the reduced number of units of demand does not affect the total capital expenditure associated with growth that is attributable to residential development, Council has made an upwards adjustment to the residential building impact fees to recognise that the cost of this infrastructure will be funded over a reduced number of units of demand. The adjustment is based on census data on the number of one and two bedroom dwellings expected and on the basis of this data the adjustment has been designed in a revenue neutral manner. In other words the development contribution revenue collected after the adjustment has been made is projected to be equal to the development contribution revenue collected if all residential dwellings were treated as one unit of demand as was the case prior to 1 November 2008.

Detailed discussion about the low demand dwelling adjustment and the assumptions and reasons for it can be found in clause 15.0 of Schedule 1, Part 2 – Units of Demand.

5.11 Use of Development Contributions

Projects funded through development contributions

1. Funds collected by way of Development Contributions will only be spent on those projects identified in Schedule 1 and any data supporting that Schedule, or an alternate project that provides the same level of service.

Timing of expenditure

2. Except for the purchase of land, funding will be allocated to projects annually by way of the annual plan process or the long term council community plan process.
3. Project allocation will be considered in the following ways:
 - Inclusion of the project in the Annual Plan by the relevant Asset Manager; or
 - Submission through the Annual Plan process by a developer or their representative; or
 - Submission to the Annual Plan by any other interested party.

4. Where possible ranking for consideration of Project funding will be assessed using the table below. However, due to the nature of some of the projects proposed by Asset Managers (such as bulk mains or arterial roads), this criteria will not always be applicable.

	Score	2	1	0	-1	-2
Consolidation of Infrastructure		The project is servicing development that is likely to be substantially sold within one year.	The project is servicing development that is likely to be substantially sold within one to two years.	The project is servicing development that is likely to be substantially sold within two to three years.	The project is servicing development that is likely to be substantially sold within three to five years.	The project is servicing development that is unlikely to be substantially sold within five years.
Sequencing		This is the next logical sequence for extension of the service.	Not entirely sequential for the service however it does promote sequential development of the land.	Not sequential but is likely to support growth in the short term.	Not sequential but is likely to support growth in the medium term.	Further use of the proposed service unlikely in the short to medium term.
Construction		All construction works completed.	Construction works underway.	Construction contract let but works not yet started.	Construction contract being prepared.	Works proposed in the short term but not yet designed.

A cut-off score will be established, and those projects achieving that score or higher will be recommended to Council for inclusion in the Annual Plan and Budget.

5. Council may exercise discretion to exclude projects that score above the cut-off line or include projects scoring below the cut-off line by having regard to other factors such as:
- A project may achieve a score that should be recommended for approval but that project may be reliant on other projects being completed beforehand.
 - A project may not achieve a score that would be high enough for recommendation for other reasons, Council believes the project should go ahead.
 - Council's overall capacity to undertake capital projects when assessed on both a funding and resource availability basis.
6. In the case of developers, or applications on behalf of developers by their representatives, submission will only be considered if a contract has been let for the project work or the project work is completed.
7. Part A allocations are indicative. Final allocations are reviewed and confirmed on an annual basis by applying the above policy process.
8. Timeframes and costs for projects shown in Council's Long-Term Council Community Plan (LTCCP) 2006-2016 Part A are indicative. Final project timelines and costs are reviewed and confirmed on an annual basis.

5.12 Remission, Postponement, Refunds, Non-Payments and Transitional Payment Period

Financial Contributions

The operative provisions of Chapter 26 (Rule 26.10) of the Tauranga District Plan shall apply to consents issued by 30 June 2004.

Development Contributions

There will be no postponement or remission of development contributions except in exceptional circumstances at the discretion of the Chief Executive or in the special circumstances specifically outlined in this section of the Policy.

Any such request shall be made in writing before a development contribution is required to be paid or as provided by the special circumstances outlined in the policy. Other than in the exceptional or special circumstances outlined in this policy, no postponement or remission will be allowed retrospectively.

If a dwelling existed prior to 26 January 1996, being the date Council legally commenced charging of development contributions, an application will generally be granted for remission. For dwellings not existing until on or after 26 January 1996 the demand for infrastructure was created within a development contribution planning period and the development contribution is payable, although the timing of the payment has been deferred until the subdivision has occurred. On the subdivision the liability becomes due and payable.

Where Council has required a development contribution and the subdivision, land use or building consent or service connection authorisation lapses, then the original development contribution amount will be refunded to the consent holder or his or her personal representative upon written application to Council, after the consent period has lapsed. This refund does not prevent Council requiring development contributions on future subdivision, land use, building consent or service connection applications related to the subject land, when the circumstances for which a development contribution is payable are present. In determining the amount of refund Council will retain a portion of the contribution of a value equivalent to the costs incurred by Council in relation to the development or building and its discontinuance.

Any refund will not be subject to any interest or inflationary adjustment.

The provisions of Section 208 of the Local Government Act 2002 shall apply for the non-payment of a development contribution.

In accordance with Section 210 of the Local Government Act 2002, the time period for which development contributions must be applied will be determined by the expenditure for reserve land purchase and development included in the Long-Term Council Community Plan (LTCCP).

Reimbursement of Portion of Local Infrastructure Development Contribution in Special Circumstances

Where a developer undertakes to construct works contained in the Project Costing Schedule for Local Infrastructure, and has requested through an Annual Plan submission that reimbursement of the Local Infrastructure (SIF) component will be sought, the reimbursement/refund will be provided for in the LTCCP or Annual Plan budget by Council where:

- The reimbursement achieves a ranking within the Council's SIF project capital expenditure budget for that financial year using Council's ranking criteria. (Note the method of project funding allocation and the ranking criteria are set out in Schedule 1 – Part 1).

and either:

- The project has been built and satisfactorily completed at the time the request is assessed by Council; or
- The project has been committed through the letting of a contract at the time the request is assessed by Council and evidence is provided to Council of that contractual obligation.

Where reimbursement has been provided for in the LTCCP or Annual Plan budget, payment will be made to the consent holder by 31 July of the year in which the project has been budgeted, or on completion if construction is not complete at that date.

Remission of Active Reserve Component of City-Wide Infrastructure Development Contribution in Special Circumstances

In circumstances where a Subdivision Impact Fee has been paid towards the cost of active reserve purchase and development between 26 January 1996 and 1 July 2004 and a Building Consent has not been applied for as of 1 July 2004, then the consent holder is entitled to a remission on the City-wide Building Impact Fee payable for active reserve purchase and development under this Policy.

The remission shall be calculated on a 10 percent per calendar year basis back to 26 January 1996. Therefore, by way of example, where subdivision consent has been in place since 26 January 1996, the consent holder shall be entitled to an 80 percent reduction in the Building Impact Fee required for active reserve purchase and development. If the subdivision consent was approved in 2003, then the consent holder is entitled to a 10 percent reduction in the Building Impact Fee required for active reserve purchase and development.

To avoid doubt this remission clause has been established to recognise that the property has already made a contribution towards active reserve purchase and development through a Subdivision Impact Fee payment.

5.13 Contents of the Development Contributions Policy Schedule (Schedule 1)

As required by the Local Government Act 2002 the Schedule specifies, in summary form where required:

- The **event and circumstances** that will give rise to a requirement for payment of a development contribution.
- The development contributions **payable** in the city or part(s) of the city by subdivision and development for capital expenditure for growth-related services for **network infrastructure** (water supply, wastewater, stormwater, transportation), **reserve land** and **community infrastructure**, as a dollar (\$) amount, percentage of land value per unit of demand (additional allotment or similar unit measure) and excluding GST.
- Structure plans for urban growth areas which show the local infrastructure projects that are costed for growth-related capital works.
- **Explanation** of and justification for the way each development contribution is calculated.
- Further **assumptions** underlying the detailed calculation of the development contribution where these help to explain the calculation or methodology.
- The basis of **financial contributions** required for consents existing as at 30 June 2004 by cross reference to the operative provisions of the Tauranga District Plan.
- The **places** where details of the methodology relating to the calculation of development contributions and financial contributions are available for public inspection.

6.0 Delegations

The authority to set the quantum of development contributions or financial contributions is the responsibility of the elected members of Council.

The implementation of this policy and the charging of development contributions or financial contributions is delegated to the Chief Executive or his/her sub delegate.

7.0 References and Relevant Legislation and Council Policy

7.1 Cross Reference to the Tauranga District Plan

To avoid doubt any reference to objectives, policies, methods, rules or zones in this Policy is a reference to the provisions of the operative Tauranga District Plan and its parts.

7.2 Relevant Legislation and Council Policy

Local Government Act 2002
Resource Management Act 1991
Building Act 1991

Tauranga District Plan
Revenue and Financing Lead Policy
Project Costing Manual – Tauranga City Council

8.0 Information Available to the Public

8.1 Financial Contributions

The operative objectives, policies and rules relating to Financial Contributions, set out in Chapters 9 and 26 of the Tauranga District Plan, are to be available for public inspection at Council offices.

8.2 Development Contributions

The assumptions, methodology and financial details on capital expenditure for growth-related infrastructure and funding sources, as set out in this policy and its schedule are to be available for public inspection at Council's main customer service centre, Civic Offices, Willow Street, Tauranga, during normal office hours.

**Table 1
Proportion of Capital Expenditure
Funded by Development Contributions**

	Budget 08/09	Budget 09/10	Budget 10/11	Budget 11/12	Budget 12/13	Budget 13/14	Budget 14/15	Budget 15/16	Budget 16/17	Budget 17/18	Budget 18/19
	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Water											
Total Capital Expenditure	14,198	16,066	18,708	28,670	13,091	12,547	33,960	47,958	16,762	7,538	5,232
Capital Expenditure (BIF)	3,388	5,514	7,315	19,690	4,171	5,186	22,613	26,189	8,702	100	100
Capital Expenditure (SIF)	2,074	3,917	1,489	929	1,281	1,309	1,680	6,965	486	136	212
Capital Expenditure (Infill)	100	0	0	0	342	342	130	339	557	0	0
Capital Expenditure (Loans)	4,225	2,039	3,343	1,552	2,667	778	4,835	8,234	1,910	795	415
Capital Expenditure (Renewals)	3,367	3,971	5,095	4,628	3,469	3,320	3,569	5,093	4,037	5,437	3,435
Capital Expenditure (Other Sources)	1,044	625	1,466	1,871	1,161	1,612	1,133	1,138	1,070	1,070	1,070
BIF Funded	24%	34%	39%	69%	32%	41%	67%	55%	52%	1%	2%
SIF Funded	15%	24%	8%	3%	10%	10%	5%	15%	3%	2%	4%
Infill Funded	1%	0%	0%	0%	3%	3%	0%	1%	3%	0%	0%
Wastewater											
Total Capital Expenditure	24,129	24,176	39,531	34,090	41,719	59,900	15,240	9,125	18,137	16,941	18,559
Capital Expenditure (BIF)	4,067	1,752	2,172	1,987	5,078	15,384	54	135	3,204	10,423	9,726
Capital Expenditure (SIF)	7,308	4,199	12,484	10,186	15,307	14,796	6,406	1,082	3,769	552	930
Capital Expenditure (Infill)	2,551	2,817	8,549	7,377	7,452	8,671	813	2,393	1,633	823	2,850
Capital Expenditure (Loans)	4,120	6,429	9,998	9,359	8,173	15,463	529	748	4,763	383	363
Capital Expenditure (Renewals)	4,050	6,571	4,663	4,113	4,285	4,162	5,844	3,343	3,344	3,336	3,266
Capital Expenditure (Other Sources)	2,033	2,408	1,665	1,068	1,424	1,424	1,594	1,424	1,424	1,424	1,424
BIF Funded	17%	7%	5%	6%	12%	26%	0%	1%	18%	62%	52%
SIF Funded	30%	17%	32%	30%	37%	25%	42%	12%	21%	3%	5%
Infill Funded	11%	12%	22%	22%	18%	14%	5%	26%	9%	5%	15%

Development Contributions Policy

	Budget 08/09 (\$000's)	Budget 09/10 (\$000's)	Budget 10/11 (\$000's)	Budget 11/12 (\$000's)	Budget 12/13 (\$000's)	Budget 13/14 (\$000's)	Budget 14/15 (\$000's)	Budget 15/16 (\$000's)	Budget 16/17 (\$000's)	Budget 17/18 (\$000's)	Budget 18/19 (\$000's)
Roading											
Total Capital Expenditure	36,471	20,107	22,734	25,383	42,002	38,343	32,038	42,460	28,711	36,992	55,841
Capital Expenditure (BIF)	516	378	450	450	1,025	1,317	1,744	1,511	1,500	687	375
Capital Expenditure (SIF)	10,143	2,808	3,634	4,527	9,870	8,422	6,840	13,169	4,097	12,294	32,182
Capital Expenditure (Infill)	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure (Loans)	7,217	3,136	3,638	4,311	7,028	3,669	3,641	4,711	4,515	1,766	1,855
Capital Expenditure (Renewals)	3,707	4,417	4,298	4,561	4,989	4,006	4,031	4,440	4,369	3,763	3,780
Capital Expenditure (Other Sources)	14,888	9,368	10,714	11,534	19,090	20,929	15,782	18,629	14,230	18,482	17,651
BIF Funded	1%	2%	2%	2%	2%	3%	5%	4%	5%	2%	1%
SIF Funded	28%	14%	16%	18%	23%	22%	21%	31%	14%	33%	58%
Infill Funded	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Pyes Pa Bypass											
Total Capital Expenditure	2,819	4,075	4,075	0	(10,012)	0	0	0	0	0	0
Capital Expenditure (BIF)	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure (SIF)	0	0	0	0	2,747	0	0	0	0	0	0
Capital Expenditure (Infill)	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure (Loans)	1,325	1,915	1,915	0	(12,759)	0	0	0	0	0	0
Capital Expenditure (Renewals)	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure (Other Sources)	1,494	2,160	2,160	0	0	0	0	0	0	0	0
BIF Funded	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
SIF Funded	0%	0%	0%	0%	-27%	0%	0%	0%	0%	0%	0%
Infill Funded	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Route K											
Total Capital Expenditure	40	20	(53,936)	0	0	0	0	0	0	0	0
Capital Expenditure (BIF)	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure (SIF)	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure (Infill)	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure (Loans)	40	20	(53,936)	0	0	0	0	0	0	0	0
Capital Expenditure (Renewals)	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure (Other Sources)	0	0	0	0	0	0	0	0	0	0	0

Development Contributions Policy

	Budget 08/09 Budget	Budget 09/10 Budget	Budget 10/11 Budget	Budget 11/12 Budget	Budget 12/13 Budget	Budget 13/14 Budget	Budget 14/15 Budget	Budget 15/16 Budget	Budget 16/17 Budget	Budget 17/18 Budget	Budget 18/19 Budget
BIF Funded	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
SIF Funded	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Infill Funded	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Libraries											
Total Capital Expenditure	2,964	2,100	1,883	1,972	4,047	5,864	2,184	2,310	2,412	6,051	6,616
Capital Expenditure (BIF)	0	0	0	0	0	0	0	0	0	3,583	4,050
Capital Expenditure (SIF)	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure (Infill)	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure (Loans)	1,381	727	443	469	2,479	4,233	522	558	584	596	622
Capital Expenditure (Renewals)	1,583	1,373	1,440	1,503	1,568	1,631	1,662	1,752	1,828	1,872	1,944
Capital Expenditure (Other Sources)	0	0	0	0	0	0	0	0	0	0	0
BIF Funded	0%	0%	0%	0%	0%	0%	0%	0%	0%	59%	61%
SIF Funded	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Infill Funded	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Open Space											
Total Capital Expenditure	7,472	9,352	13,689	10,028	9,274	15,843	10,091	27,077	12,659	7,736	8,523
Capital Expenditure (BIF)	1,397	390	3,412	460	463	4,776	802	16,652	4,522	2,130	326
Capital Expenditure (SIF)	443	1,565	1,067	3,052	1,348	355	1,177	1,656	1,015	132	70
Capital Expenditure (Infill)	607	445	2,664	854	1,168	895	227	3,827	925	743	505
Capital Expenditure (Loans)	2,301	4,736	4,404	2,587	3,498	6,122	4,461	2,139	2,759	2,011	3,064
Capital Expenditure (Renewals)	1,498	1,578	1,520	1,942	1,286	2,184	1,913	1,292	1,927	1,209	3,047
Capital Expenditure (Other Sources)	1,226	638	622	1,133	1,511	1,511	1,511	1,511	1,511	1,511	1,511
BIF Funded	19%	4%	25%	5%	5%	30%	8%	61%	36%	28%	4%
SIF Funded	6%	17%	8%	30%	15%	2%	12%	6%	8%	2%	1%
Infill Funded	8%	5%	19%	9%	13%	6%	2%	14%	7%	10%	6%
Indoor Space & Active Living											
Total Capital Expenditure	8,570	10,952	24,937	5,608	324	3,248	122	1,212	2,574	452	6,508
Capital Expenditure (BIF)	1,236	2,595	4,519	1,534	13	263	0	912	1,998	222	5,923
Capital Expenditure (SIF)	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure (Infill)	239	0	0	0	0	0	0	0	0	0	0

Development Contributions Policy

	Budget 08/09 (\$000's)	Budget 09/10 (\$000's)	Budget 10/11 (\$000's)	Budget 11/12 (\$000's)	Budget 12/13 (\$000's)	Budget 13/14 (\$000's)	Budget 14/15 (\$000's)	Budget 15/16 (\$000's)	Budget 16/17 (\$000's)	Budget 17/18 (\$000's)	Budget 18/19 (\$000's)
Capital Expenditure (Loans)	5,383	6,651	15,259	2,832	144	2,848	0	211	464	51	463
Capital Expenditure (Renewals)	220	109	137	156	167	137	122	89	112	179	122
Capital Expenditure (Other Sources)	1,492	1,597	5,022	1,086	0	0	0	0	0	0	0
BIF Funded	14%	24%	18%	27%	4%	8%	0%	75%	78%	49%	91%
SIF Funded	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Infill Funded	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Stormwater											
Total Capital Expenditure	27,013	13,081	9,860	15,909	12,256	17,514	14,930	20,055	18,177	19,170	17,755
Capital Expenditure (BIF)	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure (SIF)	1,534	2,333	2,631	8,258	3,793	4,802	3,681	7,099	6,955	8,204	5,079
Capital Expenditure (Infill)	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditure (Loans)	12,660	8,809	6,092	5,802	5,530	8,240	9,131	6,667	8,847	7,477	6,369
Capital Expenditure (Renewals)	3,558	598	3	0	11	11	3	0	29	22	0
Capital Expenditure (Other Sources)	9,261	1,341	1,134	1,849	2,922	4,461	2,115	6,289	2,346	3,467	6,307
BIF Funded	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
SIF Funded	6%	18%	27%	52%	31%	27%	25%	35%	38%	43%	29%
Infill Funded	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
<i>Total BIF Funding</i>	<i>10,603</i>	<i>10,629</i>	<i>17,868</i>	<i>24,121</i>	<i>10,750</i>	<i>26,926</i>	<i>25,213</i>	<i>45,399</i>	<i>19,926</i>	<i>17,145</i>	<i>20,500</i>
<i>Total SIF Funding</i>	<i>21,502</i>	<i>14,822</i>	<i>21,305</i>	<i>26,952</i>	<i>34,346</i>	<i>29,684</i>	<i>19,784</i>	<i>29,971</i>	<i>16,322</i>	<i>21,318</i>	<i>38,473</i>
<i>Total Infill Funding</i>	<i>3,497</i>	<i>3,262</i>	<i>11,213</i>	<i>8,231</i>	<i>8,962</i>	<i>9,908</i>	<i>1,170</i>	<i>6,559</i>	<i>3,115</i>	<i>1,566</i>	<i>3,355</i>
Total Development Contributions Funding	35,602	28,713	50,386	59,304	54,058	66,518	46,167	81,929	39,363	40,029	62,328