

Understanding the Development Contributions Policy

1.0 What are Development Contributions (DCs)?

Development contributions are a way of paying for the new and improved infrastructure required as a result of the growth occurring in Tauranga City.

City growth comes in two general forms: residential development and non-residential development (businesses and community organisations). Residential development requires water, wastewater and stormwater networks, roads, reserves and community facilities such as libraries. Non-residential development requires the same infrastructure less reserves and community infrastructure.

Development contributions are levies payable at the time of development (i.e. at the time of subdivision and building) that are used to fund the capital expenditure required to provide this additional infrastructure.

The Local Government Act 2002 gives Council the powers to use development contributions as a way of funding growth-related capital expenditure if it chooses.

City growth

Tauranga City is growing rapidly. Tauranga's population in 1991 was 66,738 and this had increased to 103,566 by the 2006 census. By 2051 it is expected to be 209,000.

Growth takes many forms. Most obvious are large, new subdivisions. These subdivisions are built in areas where there is currently little or no housing and are referred to as *greenfield development*. These developments can occur in areas that Tauranga City Council has specifically identified and zoned for this type of development. These areas are referred to as urban growth areas (UGAs). See the [Local Infrastructure – Structure Plans](#) section of the Policy to see where these areas are.

Less obvious are smaller developments in existing urban areas. These are referred to as *infill development*. Infill areas are defined as those parts of Tauranga that have not been identified as greenfield UGAs and are split into the Tauranga Infill and Mount Infill areas. While infill developments use existing infrastructure they also create the need for new assets or assets of increased capacity in local areas. They have a similar impact to greenfield developments on large assets such as water and wastewater treatment plants.

Other types of development include business development (commercial, retail and industrial), visitor accommodation and other forms of non-residential development (e.g. schools, churches and marae).

Impacts of growth on infrastructure

No matter what form growth takes it places demands on infrastructure. A new subdivision requires roads, water supply, a stormwater network, wastewater pipes, parks and reserves, and community facilities.

Growth as a result of infill development (i.e. intensification through subdivision and multi-unit residential development) places additional demands on existing infrastructure. This means that when the Council replaces water pipes for example, it may need to use bigger pipes. Or it may mean the Council needs to expand its library or community centre in that area to cope with additional demand.

There are three classes of infrastructure required as the result of growth: city-wide infrastructure, local infrastructure and vested infrastructure.

Large infrastructure items that service the whole city are referred to as *city-wide infrastructure*. These infrastructure assets tend to be used by everyone in the city, regardless of where they live. Examples include water and wastewater treatment plants, major roading intersections, sports fields and community facilities such as Baywave. Council constructs these assets and funds them through either wholly or partly through development contributions.

Infrastructure assets that are required to allow development in a growth area are referred to as *local infrastructure*. These assets tend to be used solely or at least primarily by the people within an UGA or infill area. Examples of these assets include local roads, local wastewater, water and stormwater pipes and local reserves. Council either constructs these assets or reimburses developers who construct these assets on behalf of the Council. These assets are generally funded solely from development contributions.

Infrastructure assets that only relate to the immediate subdivision or the additional houses being developed are referred to as *vested infrastructure*. These assets are constructed by the developer and then vested (given) to Council who then take over the responsibility for and cost of maintaining them. Development contributions are not required to fund these assets.

Funding of growth-related infrastructure

Council has considered three options for funding growth:

1. development contributions collected from developers under the LGA 2002
2. financial contributions collected from developers under the RMA 1991
3. rates

Because of difficulties associated with working under the RMA that may have prevented Council from collecting all growth-related costs from developers Council chose not to fund growth through Financial Contributions except in circumstances where development contributions cannot be taken or Financial Contributions are thought to be more appropriate. Council chose not to use rates to fund growth-related infrastructure as this would have resulted in ratepayers subsidising the cost of development.

Given Council's desire for developers to pay for the costs of development ("the growth pays for growth principle"), Council has adopted development contributions as the primary mechanism to fund growth-related infrastructure.

Working out the cost growth-related infrastructure

The first step in doing this is to determine the infrastructure that is required to service the city's future growth. This is done by looking at growth projects and the likely location of future growth in the city and then determining infrastructure requirements. This is done at both a UGA or infill area level for local infrastructure and at a city-wide level for city-wide infrastructure.

For local infrastructure Council has identified the capital infrastructure that needs to be in place when a growth area is full. For city-wide infrastructure, Council has determined infrastructure requirements by looking at the impacts of projected future population growth on demand and identifying the point at which new infrastructure is required (such as additional water and wastewater treatment capacity).

Once the infrastructure requirements are known they are costed. Each capital project is reviewed on an individual basis to determine its growth component. Only the growth component is funded through development contributions.

In Council's Long-Term Council Community Plan (for 2009 to 2019) there is well in excess of \$1b of capital expenditure with the majority of this being growth-related.

Allocating growth-related costs to development

Costs are allocated on the basis of a standardised unit of demand called a household unit equivalent (HUE). For residential development, all dwellings are treated as one HUE except for dwellings which meet the definition of a *one-bedroom dwelling* which are treated as 0.50 HUEs and dwellings which meet the definition of a *two-bedroom dwelling* which are treated as 0.65 units of demand. One HUE is equal to the demand of an average household for each Council-provided service.

For non-residential development, the demand generated for Council-provided services is equated into an equivalent HUE. This is done by using specific formulas for each service that are based on the average demand from non-residential activities relative to an average residential dwelling. For example, if a non-residential activity generates, on average, 10 times as many vehicle movements per 100m² of floor area than an average residential dwelling then 100m² of non-residential floor area is the equivalent of 10 residential dwellings for roading purposes.

Council calculates the total number of HUEs still to be developed in an UGA or infill area for local infrastructure and across the whole city for city-wide infrastructure. The total cost of growth-related infrastructure is then divided across the number of HUEs to determine the per unit cost. In simplified terms the methodology for determining the per unit charge is:

$$\text{total cost of growth-related infrastructure} / \text{total amount of development} = \text{cost per unit of development}$$

As the infrastructure costs and the number of HUEs differ across UGAs and infill areas the development contribution fees also differ across these areas. In contrast, city-wide contributions are the same across the whole city as they are based on development across the whole city regardless of its location. The development contribution fees are shown in Tables 2 and 3 – see the [Summary of Development Contribution Fees and Key Changes](#) section or [Schedule 1, Part 1 – Circumstances when Development Contributions are required](#).

Development that attracts development contributions

Contributions are charged on resource consents, building consents and service connections where their effect is to generate additional demand on local or city-wide infrastructure.

Local infrastructure is funded through a development contribution called a subdivision impact fee (SIF) which is charged on subdivision consents (at the 224 certificate stage). This reflects the general requirement for local infrastructure to be in place before development can occur (especially in greenfield areas). In some circumstances they are also charged on building consents or service connections for developments such as a multi-unit apartment building that may not involve the subdivision of land but still generates additional demand for local infrastructure.

City-wide infrastructure is funded through a development contribution called a building impact fee (BIF) which is charged on building consents and service connections. This reflects the fact that increased capacity for city-wide infrastructure is required when residential dwellings and other buildings are built and occupied.

SIFs are charged on a per lot basis for residential development and a per hectare basis for business development. BIFs are charged on a per dwelling basis for residential development and a per m² of gross floor area basis for business development and community organisation development.

Amount of development contribution fees

The amount will depend on the type of development undertaken and its location in the city. In general SIFs are payable at the time a subdivision consent is granted and are calculated on the basis of the development contribution fees in force at the time the consent is granted. In some cases where no subdivision is involved or development occurs before subdivision, such as unit title development and multi-unit residential development, SIFs may also be payable at the time a building consent, land use consent or service connection is granted.

For residential development SIFs are charged on the number of lots created and for business development on a per hectare basis.

BIFs are payable at the time a building consent, land use consent or service connection is granted on the basis of the development contribution fees in force at the time the consent or service connection is granted.

For residential development BIFs are charged on a per residential dwelling basis and for business development and community organisation development on a per m² gross floor area basis.

The development contribution fees are shown in Tables 2 and 3 – see the Summary of Development Contribution Fees and Key Changes section or Schedule 1, Part 1 – Circumstances when Development Contributions are required. While the table of fees will give you an idea of the fees you may end up paying, a full calculation cannot be made until Council has all the information required as part of your application for resource consent, building consent or service connection.

Disclaimer

This information is intended for general information use only. Council accepts no liability for decisions made on the basis of this information. Decisions should be made on the basis of the full policy document and advice from Council staff. If aspects of the information above are unclear to you or you have questions regarding development contributions contact Council by phone on (07) 577 7000 or in person at Council's offices, 91 Willow St, Tauranga.

2.0 How to Use this Document

Council has elected to collect Development Contributions under the Local Government Act 2002 (LGA). Under the requirements of the LGA Council is required to establish a policy setting out the basis for charging these fees.

This document sets out Council's policy in relation to development contributions and demonstrates how these contributions are calculated.

A summary of the contents of each section of Council's Development Contributions Policy is offered below.

Fees and key changes

Refer to this section if you wish to find out about:

- Contributions payable for residential and business development (both SIFs and BIFs)
- Significant policy changes made when the Policy was amended at the end of the last financial year

Development contributions policy

Refer to this section if you wish to find out about:

- Policy principles and objectives
- Definitions
- Legislative background
- Reasons for using development contributions
- LGA section 101(3) analysis
- Significant assumptions
- Monitoring, review and development of the Policy
- Activities funded through development contributions
- Remission, postponement and refund of development contributions

When development contributions are required

Refer to this section if you wish to find out about:

- City-wide contributions (BIFs)
 - Circumstances when BIFs are payable
 - Residential dwellings
 - Non-residential activities in residential zones
 - Business activities
 - Community organisations
 - Development by land use consent
- Local contributions (SIFs)
 - Circumstances when SIFs are payable
 - Subdivision of land in growth areas
 - Subdivision of land not in growth areas
 - Multi-unit residential and visitor accommodation
 - Development on cross lease titles
 - Unit title development
 - CBD development: Cash in lieu of on-site parking
 - Industrial zone development: Street landscaping contribution
 - Non-residential activities in residential zones
 - Unforeseen impacts of subdivision and development
 - Special provisions: Pyes Pa West, Tauriko, Papamoa and West Bethlehem
- Fee tables

Units of demand

Refer to this section if you wish to find out about:

- Expected residential densities in growth areas
- HUE Scaling factors for business development
- SIF and BIF divisors (local and city-wide growth projections)

- Planning periods

City-wide infrastructure

Refer to this section if you wish to find out about:

- Types of city-wide infrastructure projects
- Methodology for calculating BIFs
- Funding needs assessments in relation to section 101(3) of the LGA
- Specific city-wide assumptions regarding growth and demand
- Updating of assumptions

City-wide – water and wastewater

Refer to this section if you wish to find out about:

- Design considerations
- Treatment plant capacities
- Projects and costs

City-wide – transportation

Refer to this section if you wish to find out about:

- Cost allocation between growth and existing residents (rates)
- Projects and costs

City-wide – reserves and community infrastructure

Refer to this section if you wish to find out about:

- Funding needs assessments in relation to section 101(3) of the LGA
- Methodology for calculating development contributions and calculations
- Projects and costs

Local infrastructure

Refer to this section if you wish to find out about:

- Background/history
- Urban growth areas

Local – water, wastewater, stormwater and transport

Refer to this section if you wish to find out about:

- Funding needs assessments in relation to section 101(3) of the LGA
- Design parameters
- Basis for cost estimates
- Projects and cost by growth area

Local – reserves and community infrastructure

Refer to this section if you wish to find out about:

- Funding needs assessments in relation to section 101(3) of the LGA
- Levels of service
- Calculation methodology
- Fee calculations
- Projects and cost by growth area
- Financial contributions rather than development contributions in some UGAs

Local – maps and structure plans

Refer to this section if you wish to find out about:

- Tauranga City maps showing the location of growth areas
- Structure Plan maps of greenfield growth areas