

# Updated Development Contributions Policy 2010

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# Updated Development Contributions Policy 2010

An important term that is used throughout this policy is the term 'Household Unit of Demand' (HUD). HUD has the same meaning as a Residential Unit in the Nelson Resource Management Plan. A HUD is equivalent to one residential lot containing one residential unit. Each additional residential unit is assumed to generate a demand for network infrastructure equivalent to a single HUD. Commercial and Industrial activities are assessed by evaluating their impacts in terms of HUD equivalents as outlined later in this policy. The assessment of HUDs is the basis for calculating the value of Development Contributions.

The Council adopted its first Development Contributions Policy in 2006 (effective 1 January 2007) and the updated policy in this plan updates the projects and contributions that Council is proposing to fund through development contributions. This version of the Policy updates that published in the 2009 Nelson Community Plan.

The 2010 update aims to:

Update wording of Development Contributions Policy to clarify any ambiguity based on feedback received from customers. Key changes are:

1. A new section detailing when payment is expected
2. An expanded explanation of 'extraordinary circumstances'

Revise the method for calculating Development Contributions for the second and subsequent dwelling(s), 'Household Units of Demand' (HUDs), on an individual lot.

## Details of the proposal

Several sections of the policy have prompted questions over the past year when being implemented and this update is intended to help clarify those points. The key changes are as follows:

1. The payments section (2.8) has been expanded to include detail on when payment is expected. The Council proposes to require that Development Contributions be paid when a resource consent or building consent is uplifted from the Council or an authorisation for a service connection is approved and the connection fee notified to an applicant
2. The extraordinary circumstances section (2.4) has been expanded to include examples of where this would apply.

The calculation for any second and subsequent dwelling would be based on a calculation of the estimated value of building works, excluding GST, multiplied by 5%. The applicant would be required to provide to Council values of all goods and services to be supplied for the building work. The Council may request the applicant to provide additional information to confirm the accuracy of an estimated value, including evidence of tender prices, quotations, reports from a qualified or registered public valuer, or other appropriate information.

Following submissions, Council decided to cap the amount charged for the second and subsequent dwelling at 5% up to a maximum of the current HUD rate (\$12,525 excl gst in 09/10).

## 1. Background

### 1.1 Funding of growth

The population of Nelson City is expected to increase to 48,221 through to 2019. This policy provides for \$25 million of development and financial contributions toward the capital expenditure needed in the next ten years for this increased population. The Council will spend a further \$88 million on network infrastructure to maintain and improve services for the existing population, which will not be funded from development contributions but from general rates and water charges.

### 1.2 Purpose of the policy

The purpose of development contributions is to, as much as possible, have those who create the need for and who benefit from the additional infrastructure fund the costs of development. Development contributions are not used to fund the cost of maintaining infrastructure or improve levels of service for existing users.

One purpose of the Policy is to provide a fair basis for the sharing of costs of growth. The funding framework in Nelson City has long been based on a one-catchment approach to reflect the compact nature of the city (see Chapter 6 of the Nelson Resource Management Plan (NRMP)).

A strict adherence to a multiple catchment approach for planning and funding services has the potential to create significant imbalances in the costs associated with development in any catchment. This Policy has adopted a one-catchment approach to spreading costs of development. The effect of this is that it is less important where in a catchment a development occurs; most developments to lesser or greater degrees will and do benefit from works carried out elsewhere. If this approach is not taken then significant costs will be incurred in calculating specific benefits or consequences of each and every development.

In considering this Policy the Council has considered the impact on the current and future social, economic, environmental and cultural wellbeing of the community and has kept the contributions as low as possible for the term of the Nelson Community Plan. For simplicity, the Policy spreads the cost of each new growth project over 20 years where previously projects prior to 1 July 2009 spread the costs over the term of growth that each project provided for. For example some water infrastructure projects have capacity to provide for more than 50 years of growth and contributions would be taken for this period of time. The cost of financing each project is accumulated and added to the project cost. This minimises the interest cost to developments that are undertaken during the ten-year period of this Community Plan. The Council has used an interest rate of 6.5% for the loans required to fund the capital expenditure required for growth. The Council considers this to be appropriate based on recent past and current interest rates and the interest rate that is likely to be paid for the medium term.

### **1.3**

#### **Relationship to Resource Management Act (RMA) and financial contributions**

Development contributions under the Local Government Act (LGA) 2002 are in addition to, and separate from, financial contributions under the RMA. The Council intends to require development contributions under this Development Contributions Policy only for costs associated with the water supply, waste water (sewage) disposal, stormwater and transport activities arising from population growth.

The Council will continue to collect financial contributions primarily for reserves and community facilities under Chapter 6 of the Nelson Resource Management Plan (NRMP). Financial contributions for reserves are based on 5.5% of the allotment land value, which is payable at the section 224 stage plus 0.5% of the estimated building value (less \$82,777), which is payable on uplifting the building consent. The Council's Resource Management Plan is available for inspection at the Civic House and the Council public libraries.

The Council will also continue to impose conditions on resource consents under section 108(1) of the RMA and in accordance with Chapter 6 of the NRMP for works, services or financial contributions to avoid, remedy and mitigate the environmental effects of proposed developments.

Chapter 6 of the NRMP sets out the purposes of financial contributions and the manner in which the level of those contributions are assessed. Financial contributions will be used as a condition of resource consent when the effect of development directly contributes to the need to remedy or mitigate the environmental effects resulting from development when those effects had not been foreseen and provided for in this Community Plan.

#### **1.4 Legislative requirements and powers**

The Council is required to have a policy on development and/or financial contributions as part of its funding and financial policies in its Community Plan. Section 198 of the LGA gives territorial authorities the power to require a development contribution at any of three stages: when granting resource consent for a development, a building consent or an authorisation for a service connection.

#### **1.5 Review of this policy**

It is anticipated that this policy will be updated every three years, or a shorter interval if the Council deems it necessary. Any review of the policy will take account of:

- a) significant changes to assumptions underlying the Development Contributions Policy
- b) changes in the Council's capital development works, including the changes arising from the Nelson Urban Growth Strategy (NUGS) and any plan changes that follow
- c) changes in the pattern and distribution of development in Nelson City
- d) reviews of the Funding and Financial Policies, and the Community Plan
- e) other matters Council considers relevant.

The three-yearly review will include:

- a) a review of the number of HUDs actually developed and
- b) an adjustment of the HUDs remaining and consequently
- c) the number of years estimated to collect the balance of HUDs.

#### **1.6 When a development contribution is required**

A development contribution for network infrastructure is required for a development where additional units of demand are

created.

## 1.7 Limitations to the application of development contributions

Section 200 of the Local Government Act states that Councils must not require a development contribution if, and to the extent that:

- a) there is a condition on a resource consent in relation to the same development for the same purpose; or
- b) the developer will fund or otherwise provide for the same reserve, network infrastructure, or community infrastructure; or
- c) the Council has received or will receive funding from a third party for the project.

## 1.8 Community outcomes

Community outcomes are the city's six strategic goals and these are described in full in Appendix 3 of Volume 1 of 2009 Community Plan. Development Contributions are an important tool to enable Council to contribute to meeting at least three of these goals.

These are:

Outcomes	How the activity contributes
<b>Healthy land, sea, air and water</b> We protect the natural environment	Development contributions enable Council to provide network infrastructure that reduces the impact of people on the environment
<b>People-friendly places</b> We build healthy and attractive places and live in a sustainable region.	Development contributions enable provision of good quality, sustainable and effective infrastructure and facilities
<b>A strong economy</b> We all benefit from a sustainable, innovative and diversified economy	Council has a goal of encouraging economic growth in Nelson. The Development Contributions Policy contributes to ensuring that the cost of growth is fairly and reasonably met by new developments

## 2. Administration of development contributions

### 2.1 Inflation

The development contributions will be adjusted to reflect annual inflation. The adjustment will be calculated in accordance with the following formula where:

$$ADC = DC \times (I/J)$$

ADC = the additional development contribution or exemption

DC = the base development contribution in Schedules 1, 2 and/or 3

I = the NZS 3910 Price Index, or its replacement index for the December quarter of the year preceding the year in which the calculation is made

J = the NZS 3910 Price Index, Series Reference S2CB, or its replacement index for the December quarter 2005.

In the event that NZS 3910 Price Index, Series Reference is discontinued, an equivalent index may be substituted by resolution of the Council for the purposes of this rule.

## 2.2 Assessment of Contributions

Development contributions payable on resource consent, building consent or service connection will be assessed at the time the resource consent, building consent, or service connection request is processed.

The Council has adopted a one catchment approach to the calculation of development contributions payable on any development. This has created an averaging method for establishing costs of development based on HUDs to place a deemed cost for the provision of new or additional capacity for network infrastructure that is independent of the specific site location within any catchment or the city.

If the characteristics of the development or other specific factors require a specific calculation of costs then applicants must use the Extraordinary Circumstances provision of this Policy (clause 2.4) and apply to the Council. This application must be supported by a documented case for a reduction or remission of the average cost per HUD for network infrastructure.

The decision on the level of contributions will be made by Council staff as delegated by the Council.

Development Contributions are a funding tool under the Local Government Act 2002. This Act does not contain any provision for a right of objection or appeal to a Council decision on the level of contributions payable. This regime is quite different from that applying to financial contributions under the Resource Management Act 1991, which provides a right of objection to the Council and subsequent right of appeal to the Environment Court.

## 2.3 Remissions and postponements

There are no remissions or postponements of development contributions. However the policy does include an exemptions section (see Clause 2.5 of this Policy).

## 2.4 Extraordinary circumstances

The Council reserves the discretion to enter into specific arrangements with a developer for the provision of particular network infrastructure to meet the special needs of a development, or where the development has specific characteristics or servicing proposals that do not fit the HUD approach to assessing contributions or is not readily assessed in terms of units of demand.

Examples of where discretion may be applied would be as follows:

Fully serviced multiple lot subdivisions or commercial/ industrial developments with one or more of the following:

- stormwater and or waste water detained on site
- private water supply that is not connected to Council's infrastructure.

## 2.5 Exemptions

The following exemptions to this policy apply:

- a) Water and waste water assessments on household units where Council is not planning to provide or maintain such infrastructure in that area. This includes but is not restricted to subdivision or building works on land north-east of the Gentle Annie saddle
- b) Boundary adjustments, and subdivisions undertaken to place existing building development onto separate titles, either unit titles or freehold titles i.e. those subdivisions that do not create additional lots and/or do not involve the erection of additional household units of demand
- c) Where a residential unit is replaced on a site, irrespective of the footprint
- d) Additions and alterations to buildings where no additional HUD is created
- e) A replacement building on industrial or commercial sites where allowance is made for the previous extent of impervious areas, carparks and toilet pans/urinals and water connections  
(see above for options for calculating industrial and commercial sites)
- f) Accessory buildings that do not create an additional unit of demand e.g. hay sheds

- g) Integrated schools and early childhood centres as defined under the Education Act 1989
- h) Social housing developments undertaken by the following organisations: Abbeyfield, Habitat for Humanity, Nelson Tasman Housing Trust and any other partnership where Council has entered into an agreement to provide social housing
- i) Utility lots (e.g. for power transformers), access ways or legal roads
- j) Reserve lots.

## **2.6 Developments over more than one allotment**

Where a development is over more than one allotment and is subject to sections 75 and 77 of the Building Act then the development contributions will be assessed as for one allotment.

## **2.7 Refunds**

- a) Where development or subdivision does not proceed, any refund of money will be applied in accordance with Sections 209 and 210 of the Local Government Act 2002
- b) Any refunds will be issued to the consent holder of the development to which they apply and will not be subject to any interest or inflationary adjustment.

## **2.8 Payment of development contributions**

The Council requires Development Contributions to be paid when the first of any of the following actions or events occurs:

1. a) A land use resource consent is granted, or
  - b) A building consent is uplifted, or
  - c)

An authorisation for a service connection is approved and the connection fee is notified to an applicant.

2.

A subdivision consent is granted where all lots contain existing buildings or dwellings.

3.

A s224 certificate is uplifted for a subdivision consent that creates a vacant lot(s).

## **2.9 Determining the value of the Development Contribution**

1.

The Development Contributions to be paid will be assessed at the time of granting of land use, subdivision or building consent, or authorisation of a service connection.

2.

The assessed amount of Development Contributions payable will be inflation adjusted as necessary at the time of payment in line with the NZS 3910 Price Index.

## **2.10 Enforcement of payments**

If payment of development a contribution is not received, Council will enforce payment according to powers outlined in Section 208 of the Local Government Act 2002. This section allows the Council to:

- a) withhold a certificate under section 224(c) of the Resource Management Act 1991
- b) prevent the commencement of a resource consent under the Resource Management Act 1991
- c) in the case of a development contribution required under section 198(1)(b), withhold a Code of Compliance certificate under section 43 of the Building Act 1991
- d) in the case of development contribution required under section 198(1)(c), withhold a service connection to the development.

In each case, a)–d), the Council can register 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.

## **2.11 Goods and Services Tax (GST)**

Development contributions incur Goods and Services Tax at the current rate set by central government at the time the contribution is paid.

### 3. Charging development contributions

The Council will generally apply contributions for developments at the subdivision consent stage. Where additional units of demand are created by additions to land or buildings that have already been subdivided then the Council will seek the appropriate Development Contribution at the building consent stage or upon request for service connection.

#### 3.1 Capital expenditure Council expects as a result of growth

Table 1 summarises the total estimated capital expenditure the Council expects to incur as a result of growth, to meet increased demand for network infrastructure over the next 10 years. The growth component of the capital expenditure budgets, excluding funding from other sources, will be funded by development contributions.

**Table 1: Summary of estimated capital expenditure and funding for growth as noted in 2009-2019 Nelson Community Plan (LTCCP).**

	<b>Total \$ million of projects with a growth component</b>	<b>The growth component of projects \$ million</b>
<b>Transport</b>	\$20,925	\$10,929
<b>Stormwater</b>	\$23,561	\$5,936
<b>Waste water</b>	\$36,009	\$18,683
<b>Water</b>	\$33,477	\$13,695
<b>TOTAL</b>	\$113,972	\$49,207

Notes: This table shows that \$113,972 million of capital expenditure has been undertaken in recent years or is planned for the next ten years with a growth component. After removing the parts of these projects that are not growth related, for example to improve levels of service, Council is undertaking \$49,207 million of capital expenditure to provide for growth.

A list of these projects is included as Appendix 1 of this policy in Volume 2 of the 2009 Nelson Community Plan.

#### 3.2 Capital expenditure Council has invested in anticipation of growth

The Local Government Act enables Councils to charge a Development Contribution towards capital expenditure already incurred by the Council in anticipation of growth. The Council has included a number of upgrade projects that it has undertaken since 1998 within its calculations. These are included in the details of projects included at the end of this Policy.

In addition there are a number of outstanding Council Conditions Book entries where a developer has put in infrastructure that will serve other land. Under Clause 283(3) of the Local Government Act (1974) Council has acted as 'banker' for these costs with payment being made as these other lands are developed. Further legislation has revoked Clause 283(3) Local Government Act (1974) and Council has therefore included the outstanding costs in the Development Contribution assessments.

### 3.3

#### Apportioning capital expenditure for growth over time

Council has spread the costs for new projects against the total number of HUDs expected to be developed over 20 years in the city i.e. 4600, for the next 20 years. The number of HUDs include residential, commercial and industrial developments.

### 3.4

#### Assumption for transitioning from Financial Contributions to Development Contributions

The number of HUDs expected over 10 years is based on the decision that Financial Contributions, not Development Contributions, will be charged for sections that have a current consent but are yet to be developed. Development Contributions are expected to gradually replace Financial Contributions over the next 10 years as new developments come on line.

### 3.5 Council use of development contributions

The Council will use Development Contributions only for capital expenditure in respect to the Council activity for which they are collected. In other words, contributions collected because of a need to increase water supply capacity will be spent only on the water supply system. This will be according to an aggregated project basis for each of the activities.

Schedule 1 shows the Development Contribution per household unit of demand (HUD).

### 3.6

#### Development contributions charges on subdivisions

All subdivisions pay a set amount per additional lot. The Development Contribution charge is set out in Schedule 1 below.

However where a subdivision involves subdividing a second dwelling from an existing title, and the second dwelling was charged a Development Contribution at the time the building consent was issued, then no Development Contribution will be payable in that instance, because there is no additional HUD created.

#### Schedule 1: Development contributions for each HUD

	2006/07 (\$/allotment)	2009/10 (\$/allotment)
Transport	2,196	2,414
Stormwater*	3,884	3,843
Water	1,871	2,436
Waste water	3,221	3,832
<b>Total</b>	<b>11,172</b>	<b>12,525</b>

\*Note: Refer to stormwater section 3.9 (d) for information on low impact stormwater systems and section 3.10 for multi-level and multi-unit properties, and comprehensive housing developments.

The Council divided the growth related expenditure for each project by the number of HUDs that each project provides for to determine the contribution amount for each activity.

In terms of the inflation section of this Policy the above contributions will be adjusted each year in line with the NZS 3910 Price Index.

### 3.7 Existing developments

In assessing a development or subdivision for Development Contributions, the Council will identify the number of units of demand that existed on the site prior to that subdivision or redevelopment, and make allowance for those HUDs in determining any additional HUDs from the new subdivision or development.

### 3.8 Residential building (residential unit)

Those dwellings for which a building consent was granted on or before 31 December 2006 will be assessed under the Financial Contributions Policy contained within Chapter 6 of the Resource Management Plan (Clause F2.4) because the Council's first Development Contribution Policy did not come into effect until 1 January 2007.

For each building that is the first dwelling on a site that was created by a subdivision consent granted before 31 December 2006, there is no development contribution payable however a Financial Contribution will apply under Chapter 6 of the Nelson Resource Management Plan (Clause F2.4).

A Development Contribution may be required for a second or subsequent HUD on a single Certificate of Title. The calculation for any second and subsequent dwelling will be based on a calculation of the estimated value of building works, excluding GST, multiplied by 5% up to a maximum of the current HUD rate (\$12,525 excl gst in 09/10). This approach is considered to address the increasing demand for smaller additional residential units on larger sites. The applicant shall provide to Council, values of all goods and services to be supplied for the building work. The Council may request the applicant to provide additional information to confirm the accuracy of an estimated value, including evidence of tender prices, quotations, reports from a qualified or registered public valuer, or other appropriate information. The estimated value of the building work will be assessed on the information provided and any other relevant evidence available to the Council (i.e. Rawlinsons New Zealand Construction Handbook).

See also section 4 on transitional arrangements and section 3.10 on multi-level and multi-unit properties.

### 3.9 Non-residential development

An assessment for non-residential developments will be made at the resource consent stage and reassessed at the building consent and connection stages. Contributions will be the higher of the charges set out in Schedule 1 or the following after adjustment for Development Contributions already paid.

#### a) Transport

One HUD contribution is payable for four parking spaces. The average number of car parking spaces per residential lot is 2.9. For non-residential developments this has been increased to four to take into account that businesses would have fewer traffic movements per day, particularly where staff drive to a business and the car remains in the park for the full day.

The Development Contribution for transport is based on including only capital works required for arterial, principal, collector and sub-collector roads.

The number of parking spaces will be calculated under the formula set out in the Resource Management Plan and irrespective of any adjustment made to the number of car parks as part of any appeal of the conditions of the resource consent. Where the Resource Management Plan does not require any parking, such as in the Central Business District and Stoke Commercial areas, the HUDs will be calculated on the same basis as if the property was in a similar zone where the exemption did not apply.

#### b) Waste water

Development Contribution is assessed as the higher of either one HUD contribution for every two pans/urinals or the amount set out in Schedule 2 for larger pipe connections. The assessment of pans/urinals will be as set out in the Building Industry Authorities acceptable Solutions G1. The two-pans approach is based on the Building Industry Authority that recommends that two pans should be included for residential buildings with an occupancy of three or more people.

### Schedule 2

Internal diameter of water connection (mm)	\$
20	3,832

<b>25</b>	5,978
<b>32</b>	9,810
<b>40</b>	15,328
<b>50</b>	23,950
<b>100</b>	95,800
<b>150</b>	215,549

### Special calculations

Developers can request that their contribution for waste water takes into account a significant amount of water that will not be waste water, for example fishing businesses that use water to make ice.

### c) Water

Assessed solely on the size of connection required as set out in Schedule 3 of this policy.

### Schedule 3

<b>Internal diameter of water connection (mm)</b>	<b>\$</b>
<b>20</b>	2,436
<b>25</b>	3,800
<b>32</b>	6,237
<b>40</b>	9,745
<b>50</b>	15,226
<b>100</b>	60,904
<b>150</b>	137,035

## Special calculations

Connections entirely for fire mains or sprinkler systems are exempt from contribution where a water meter has been incorporated. Developers can also request that their contribution for water takes into account any increase in pipe size solely for fire mains or sprinkler system purposes. Information on the property tenant will need to be provided to demonstrate that no significant water-based business activities will be undertaken on the site.

### d) Stormwater

Development contributions for stormwater will normally be assessed as one HUD contribution for every 316m<sup>2</sup> of impervious surface.

However the Council recognises the environmental and economic benefits and sustainability of Low Impact Stormwater systems where these result in a lower quantity of stormwater entering the Council's stormwater systems. Developers are encouraged to discuss any proposed low impact stormwater systems with Council staff prior to the resource consent application/preliminary design stage to determine whether a lower development contribution can be applied based on reductions in quantity of stormwater achieved by that design.

A major consideration in any reduction of development contributions will be whether, and the extent to which, any design reduces the peak flow demands on the downstream stormwater system.

Council will develop a policy on development contributions for Low Impact Design (LID) subdivisions during the term of this LTCCP that will enable LID subdivisions to be assessed in a manner that ensures transparency and consistency for applicants. The current case by case assessment is an interim measure provided to acknowledge the actual effects of using a LID approach in relation to development contributions because Council considers it important to minimize procedural and policy barriers to the uptake of more sustainable forms of development.

## Notes to the Policy

### Rounding of calculations

No rounding for any of the contributions will be applied, for example a property that has 400m<sup>2</sup> of impervious surface would pay 400/316 or 1.26 HUD contributions.

### 3.10 Multi-level and multi-unit properties, and Comprehensive Housing developments

For properties that are both multi-level and multi-unit (including apartments, hotels, motels and rest homes) or comprehensive housing (as defined in the Nelson Resource Management Plan) the Development Contributions shall be calculated under Schedule 1 of the Policy except for stormwater, which shall be calculated as follows:

The actual areas of impervious surfacing (paving and roofs) shall be calculated for each development. This is then divided by 316 to give the portion of stormwater contribution payable regardless of the number of residential units contained within the development.

For example: a comprehensive housing development of five residential units with a total impervious area of 750m<sup>2</sup> (includes roofs, common drives/parking, individual paved areas) is divided by 316 giving a required contribution of 2.37 times the stormwater contribution in Schedule 1.

This Policy is to recognize that more intensive forms of development may create a lower effect on the city's stormwater infrastructure than that based upon standard calculations for stormwater of 1 HUD=316m<sup>2</sup> of impervious area.

## 4. Transitional arrangements

To ensure that people who have already purchased a section or who have applied for the necessary consents are not disadvantaged, if the following situation applied on 31 December 2006 then contributions will be assessed under the current Financial Contributions Policy of Chapter 6 NRMP:

- a) first HUD erected on a lot vacant as of 31 December 2006; or
- b) Any development that has an existing Resource Consent or Building Consent issued before 1 January 2007; or
- c) Any development that has applied for a Building Consent before 1 January 2007; or
- d) Any development that has applied for Resource Consent before 1 January 2007 and the Resource Consent application fulfils the requirements of Section 88 of the Resource Management Act 1991, in particular that the application is not determined to be incomplete to the extent that the Council has returned the application; or
- e) Where a Variation is sought to a Resource Consent issued in terms of any of the above-noted transitional provisions, and

where the Variation does not change the scale, nature or intensity of the development, the Financial Contribution applicable to the original Resource Consent shall continue to apply. Where a Variation of Consent results in an increase in scale, nature or intensity, only the portion of the development that represents the increase in scale, nature or intensity, shall be assessed under the Development Contributions Policy of the Community Plan; or

- f) Where any development project has an existing resource consent issued before 1 January 2007 for staged development, any building consent applications for the project after 1 January 2007 will continue to be assessed under Chapter 6 NRMP; or
- g) For subdivision applications lodged before Chapter 6 of the NRMP became operative on 1 July 2004, neither Chapter 6 nor the Development Contributions Policy (Community Plan) will be imposed upon the granting of these consents.

This means that these sections or resource consents will pay contributions at the building or connection stages as set out in the paragraph on 'Relationship to Resource Management Act (RMA) and financial contributions'.

## 5. Works not listed in the Community Plan

The Council can collect Development Contributions only for projects listed in the Community Plan. There are occasions when developers provide infrastructure that will serve other properties and in these instances the Council may decide to make a contribution to the infrastructure being provided.

## 6. Funding sources for the cost of growth

### 6.1 Legal framework

Section 101 of the Local Government Act 2002 requires Council to consider the following matters in relation to each activity to be funded:

- a) the community outcomes to which the activity primarily contributes; and
- b) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
- c) the period in or over which those benefits are expected to occur; and
- d) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
- e) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and
- f) the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural wellbeing of the community.

Consideration of these matters for each activity that Council intends to collect Development Contributions is set out below.

### 6.2 Water supply

The community outcomes and the impact on the current and future social, economic, environmental and cultural wellbeing of the community that this activity contributes to include:

Outcomes	How the activity contributes
----------	------------------------------

<p><b>Healthy land, sea, air and water</b> We protect the natural environment</p>	<p>A citywide water system ensures that water resources are well managed and reduces the human impact on the environment</p>
<p><b>A strong economy</b> We all benefit from a sustainable, innovative and diversified economy</p>	<p>High quality water encourages businesses to move to Nelson. It also supports economic growth</p>
<p><b>Kind, healthy people</b> We are part of a welcoming, safe, inclusive and healthy community</p>	<p>Clean drinking water prevents diseases and means healthier people</p>

#### **Distribution of benefits**

##### **COMMUNITY BENEFITS**

Contributes to community health, fire safety

Assists the local economy

Improves amenity value of the city.

##### **INDIVIDUAL BENEFITS**

Those connected to the public water supply receive a private benefit.

Overall, the benefits have been assessed as being at 100% private.

Accordingly Council has determined that the cost of growth should be paid for by those that require and benefit from the need to undertake the capital expenditure.

##### **ACTIONS AND INACTIONS OF INDIVIDUALS OR GROUPS THAT CONTRIBUTE TO THE NEED TO UNDERTAKE THE ACTIVITY**

None relating to capital expenditure that is required for growth.

##### **THE COSTS AND BENEFITS OF FUNDING THE ACTIVITY SEPARATELY FROM OTHER ACTIVITIES**

Funding this account on a user-pays basis provides an incentive for water conservation, which is a significant benefit.

##### **PERIOD IN WHICH THE BENEFITS ARE EXPECTED TO OCCUR**

The water supply capital expenditure provides long-term benefits to the community. An example is that the Council anticipates that the Maitai Dam and water treatment plant will provide services to Nelson well beyond the next 40 years.

##### **THE IMPACT OF THE ACTIVITY ON THE CURRENT AND FUTURE WELLBEING OF THE COMMUNITY:**

A good quality water supply that meets the needs of the growth of Nelson has a significant impact on the current and future social, economic, cultural and environmental wellbeing of the community.

The capacity of the water network allows for growth that ensures that not only current users, but also future users, will benefit from the system. It is equitable that those who connect to the water network should contribute to the cost of providing for that growth.

It is reasonable that when those future users arrive they make a contribution that relates to the cost of catering for that growth, including the cost of financing the loans required for growth.

### **6.3 Waste water**

Collecting, treatment and disposing of sewage – Nelson and Regional scheme

The outcomes and the impact on the current and future social, economic, environmental and cultural wellbeing of the community that this activity contributes to include:

<b>Outcomes</b>	<b>How the activity contributes</b>
<p><b>Healthy land, sea, air and water</b> We protect the natural environment</p>	<p>Through treatment and disposal of sewage to reduce harmful effects on the landscape and built environment</p>
<p><b>People-friendly places</b> We build healthy accessible and attractive places and live in a sustainable region</p>	<p>Through treatment and disposal of sewage to reduce harmful effects on the landscape and built environment</p>
<p><b>A strong economy</b> We all benefit from a sustainable, innovative and diversified economy</p>	<p>Through treatment of industrial waste allowing businesses to operate in Nelson, and protecting tourism</p>
<p><b>Kind, healthy people</b> We are part of a welcoming, safe, inclusive and healthy community</p>	<p>By minimising disease and health problems</p>

### **Distribution of benefits**

#### **COMMUNITY BENEFITS**

Contributes to community health

Provides recreational and environmental benefits associated with both inland and marine waters (for which there are increasing public expectations)

Land is protected from the effects of sewage seepage

Sewage treatment and disposal assists the local economy

Meets the community's increasing environmental standards.

#### **INDIVIDUAL BENEFITS**

Benefits are received by those connected to the sewage collection system.

#### **ACTIONS AND INACTIONS OF INDIVIDUALS OR GROUPS THAT CONTRIBUTE TO THE NEED TO UNDERTAKE THE ACTIVITY**

None relating to capital expenditure which is required for growth.

#### **THE COSTS AND BENEFITS OF FUNDING THE ACTIVITY SEPARATELY FROM OTHER ACTIVITIES**

Those connected to the sewerage system receive a private benefit. Overall, the benefits have been assessed as being at 100% private. Accordingly Council has determined that the cost of growth should be paid for by those that require and benefit from the

need to undertake the capital expenditure.

**PERIOD IN WHICH THE BENEFITS ARE EXPECTED TO OCCUR**

Capital expenditure for sewage disposal provides long-term benefits to the community. Many of the planned capital expenditure projects will provide services for up to 40 years, for example the Atawhai rising main and the Nelson Regional Sewerage Business Unit rising main duplication, other projects will provide benefits for between 10 and 20 years.

**THE IMPACT OF THE ACTIVITY ON THE CURRENT AND FUTURE WELLBEING OF THE COMMUNITY**

Effective and efficient sewerage systems that meet the needs of growth has a significant impact on the current and future social, economic, cultural and environmental wellbeing of the community.

The capacity of the network allows for growth that ensures that not only current users, but also future users, will benefit from the system. It is equitable that those who connect to the network should contribute to the cost of providing for that growth.

It is reasonable that when those future users arrive they make a contribution that relates to the cost of catering for that growth, including the cost of financing the loans required for growth.

## 6.4 Stormwater and flood protection

The outcomes and the impact on the current and future social, economic, environmental and cultural wellbeing of the community that this activity contributes to include:

Outcomes	How the activity contributes
<p><b>Healthy land, sea, air and water</b> We protect the natural environment</p>	<p>Through reducing the effects of floods on the environment</p>
<p><b>People-friendly places</b> We build healthy, accessible and attractive places and live in a sustainable region</p>	<p>Through reducing the likelihood of floods damaging homes, businesses or essential infrastructure</p>
<p><b>A strong economy</b> We all benefit from a sustainable, innovative and diversified economy</p>	<p>Through removing restrictions on developing land when adequate drainage is provided</p>
<p><b>Kind, healthy people</b> We are part of a welcoming, safe, inclusive and healthy community</p>	<p>Through reducing the likelihood of people being affected by a flood</p>

### Distribution of benefits

#### COMMUNITY BENEFITS

Disposes of stormwater and keeps urban areas (roads, land amenities, shops etc) free from floods

Contributes to public health and safety and maintains quality of life

Enhances amenity and property values.

#### INDIVIDUAL BENEFITS

All landowners with stormwater runoff receive a private benefit.

#### ACTIONS AND INACTIONS OF INDIVIDUALS OR GROUPS THAT CONTRIBUTE TO THE NEED TO UNDERTAKE THE ACTIVITY

None relating to capital expenditure which is required for growth.

#### THE COSTS AND BENEFITS OF FUNDING THE ACTIVITY SEPARATELY FROM OTHER ACTIVITIES

The benefits of funding Council's stormwater activity apply to all those who live in the areas where Council provides a reticulated system. Overall, the benefits have been assessed as being at 100% private. Accordingly Council has determined that the cost of growth should be paid for by those that require and benefit from the need to undertake the capital expenditure.

#### Period in which the benefits are expected to occur

Capital expenditure for stormwater disposal provides long-term benefit to the community. Many of the planned capital

expenditure projects will provide services for up to 40 years, like new pump stations, while other projects will provide benefits for between 10 and 20 years.

**THE IMPACT OF THE ACTIVITY ON THE CURRENT AND FUTURE WELLBEING OF THE COMMUNITY**

Effective and efficient stormwater systems that meet the needs of growth has a significant impact on the current and future social, economic, cultural and environmental wellbeing of the community.

The capacity of the network allows for growth that ensures that not only current users, but also future users, will benefit from the system. It is equitable that those who connect to the network should contribute to the cost of providing for that growth.

It is reasonable that when those future users arrive they make a contribution that relates to the cost of catering for that growth, including the cost of financing the loans required for growth.

**6.5 Transport**

The outcomes and the impact on the current and future social, economic, environmental and cultural wellbeing of the community that this activity contributes to include:

<b>Outcomes</b>	<b>How the activity contributes</b>
<p><b>Healthy land, sea, air and water</b> We protect the natural environment</p>	<p>Through providing a range of transport systems that minimise the impact on the environment</p>
<p><b>People-friendly places</b> We build healthy, accessible and attractive places and live in a sustainable region</p>	<p>Through taking into account the impact on public spaces when providing transport infrastructure</p>
<p><b>A strong economy</b> We all benefit from a sustainable, innovative and diversified economy</p>	<p>Through providing and effective and efficient transport system that meets the needs of residents and businesses</p>
<p><b>Kind, healthy people</b> We are part of a welcoming, safe, inclusive and healthy community</p>	<p>Through providing a safe transport network that provides for traffic, cyclists and pedestrians</p>

**Distribution of benefits**

**COMMUNITY BENEFITS**

Ensures a land transport system that operates safely

Provides easy access throughout the city

Contributes to an attractive well-planned city, to sustainable management of resources and to a good quality of life

Allows people to travel to work and to leisure activities.

## INDIVIDUAL BENEFITS

All road users (motorists, pedestrians, cyclists, transport operators including all those who have goods shifted by road transport).

Utility service providers using the road reserve for their services.

## ACTIONS AND INACTIONS OF INDIVIDUALS OR GROUPS THAT CONTRIBUTE TO THE NEED TO UNDERTAKE THE ACTIVITY

None relating to capital expenditure which is required for growth.

## THE COSTS AND BENEFITS OF FUNDING THE ACTIVITY SEPARATELY FROM OTHER ACTIVITIES

The benefit of funding a roading network is to all residents and businesses, people who do not drive still derive an indirect benefit; roads are used for street parades, harriers and other such activities. Council has determined that the cost of growth should be paid for by those that require and benefit from the need to undertake the capital expenditure.

## PERIOD IN WHICH THE BENEFITS ARE EXPECTED TO OCCUR

Many of the planned capital expenditure projects will provide services for in excess of 40 years, while other projects will provide benefits for between 10 and 20 years.

## THE IMPACT OF THE ACTIVITY ON THE CURRENT AND FUTURE WELLBEING OF THE COMMUNITY.

The transport network has a significant impact on the social, economic and environmental wellbeing of the community. In order for the City transport network to be maintained with the present level of service in the long-term, and to accommodate anticipated growth, the Council considers that additions and upgrades are necessary.

It is reasonable that when those future users arrive they make a contribution that relates to the cost of catering for that growth, including the cost of financing the loans required for growth.

## 7. Assumptions

### 7.1

#### Development Contributions Overall Assumptions

- a) To determine the number of HUDs available for development in each catchment, consideration has only been given to current zoning of the land and not possible zoning decisions that arise out of the Nelson Urban Growth Strategy (NUGS)
- b) Some projects might include a mix of renewals work and provision for growth. Only the incremental cost over and above what would have been required for the renewal portion of the project is included in the development contributions
- c) In the event that assets need to be upgraded or replaced ahead of their expected life, the cost of growth includes the depreciation not collected over the reduced life expectancy of the asset
- d) Only assets owned by Nelson City Council, or for which Nelson City Council has operational, maintenance or financial responsibility have been considered for development contributions
- e) The conditions-based contributions for which development contributions have been calculated are works or projects that have been undertaken to allow development to proceed, typically to complete the network and ensure that the downstream effects arising from development are mitigated.

### 7.2 Transport Calculations and Assumptions

- a) Arterial, principal, collector and sub-collector roads are the only roads considered for growth related costs, as they carry traffic from throughout the system. Local roads are not included
- b) The reasons for growth have been investigated and reported by Gabites Porter traffic and transport planning consultants. Their report shows the levels of baseline growth, i.e. traffic growth for reasons other than residential, commercial or industrial growth within the local authority boundary, growth from traffic external to the local authority boundary, specifically Tasman District and growth arising from residential, commercial or industrial growth within the Nelson local authority boundary. Based on this report, annual rates of increase are assumed to be:

<b>New Development</b>	1.2%
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<b>Tasman/external</b>	0.4%
<b>Baseline Population Traffic Growth</b>	0.0%

### 7.3 Stormwater

The total costs of the projects are spread over the total number of lots reasonably possible in the catchment, taking into account average lot size and terrain. There are four categories:

<b>High density</b>	414m <sup>2</sup> /lot
<b>Medium density</b>	1,333m <sup>2</sup> /lot
<b>Low density</b>	30,000m <sup>2</sup> /lot
<b>Industrial</b>	2,500m <sup>2</sup> /lot

### 7.4 Waste water

The number of HUDs available for development is based on the available residential area divided by average property size of lots that are too small for further subdivision i.e. those less than 800m<sup>2</sup>.

### 7.5 Water Supply

- a) HUDs for pump stations and pipelines are based on peak demand
- b) HUDs for reservoirs are based on average demand
- c) Industrial and commercial water users have been converted to an equivalent household demand, either peak flow or average daily use depending on the project, to determine the number of HUDs in a catchment.

## 8.

### Glossary of terms relating to development contributions

**ACTIVITY** means a good or service provided by, or on behalf of, a local authority and includes –

- (a) the provision of facilities and amenities, for example water supply or sewage disposal;
- (b) the making of grants; and
- (c) the performance of regulatory and other local authority functions.

**ALLOTMENT** has the meaning given to it in section 218(2) of the Resource Management Act 1991.

**APPLICANT** is the person/persons that apply for a resource consent, building consent or service connection.

**ASSET MANAGEMENT PLAN** means Council documents that outline how the Council will manage and provide infrastructure assets.

**BUILDING WORK** means work for or in connection with the construction, alteration, or demolition of a building.

**CAPITAL EXPENDITURE** means the cost Council expects to incur to provide infrastructure assets for the running of the city's network infrastructure.

**COMMUNITY OUTCOMES** means the outcomes for that district or region that are identified as priorities for the time being through a process under section 91 of the Local Government Act 2002; and includes any additional priorities subsequently identified through community consultation by the local authority as important to the current or future social, economic, environmental, or cultural wellbeing of the community.

**CONSENT HOLDER** is the person/persons to whom the resource consent, building consent or service connection was granted.

**DEVELOPMENT** means any subdivision or other development including building work that generates a demand for reserves, network infrastructure, or community infrastructure.

**DEVELOPMENT CONTRIBUTION** means a contribution –

- (a) provided for in a development contribution policy included in the Council's Long-term Council Community Plan; and
- (b) calculated in accordance with the methodology; and
- (c) comprising –
  - (i) money; or
  - (ii)

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

- (iii) both.

**DEVELOPMENT CONTRIBUTION POLICY** means the policy on development contributions included in the Long-Term Council community plan of the Council under section 102(4)(d) of the Local Government Act 2002.

**DISTRICT** means the district of a territorial authority, in this case the Nelson City area.

**ESTIMATED VALUE** means estimated aggregate of the values determined in accordance with section 10 of the Goods and Services Tax Act 1985, (as amended in 1993), of all goods and services to be supplied for that building work.

**FINANCIAL CONTRIBUTION** has the same meaning as financial contributions in s108 (9)(a)-(c) of the Resource Management Act 1991.

**GOODS AND SERVICES TAX (GST)** means goods and services tax under the Goods and Services Tax Act 1985 or any legislation substituted for the same.

**HOUSEHOLD UNIT OF DEMAND (HUD)** has the same meaning as Residential Unit in the Nelson Resource Management Plan. The HUD is equivalent to one residential lot containing one residential unit. Each additional residential unit is assumed to generate a demand for network infrastructure equivalent to a single HUD.

**LGA 2002** means the Local Government Act 2002 or any legislation that might replace the same.

**METHODOLOGY** has the same meaning as methodology in s197 of the Local Government Act 2002 and how the contributions are calculated.

**NETWORK INFRASTRUCTURE** means the provision of roads and other transport, water, waste water and stormwater collection and their management.

**NON-RESIDENTIAL DEVELOPMENT** means any development that is not for a residential unit.

**RESIDENTIAL UNIT** means a single self-contained household unit, used principally for residential activities, whether by one or more persons and including accessory buildings. Where more than one kitchen facility is provided on the site, there shall be deemed to be more than one residential unit.

**RMA 1991** means the Resource Management Act 1991.

**SCHEDULE OF DEVELOPMENT CONTRIBUTIONS** means the schedule to the Council's development contributions policy required by section 201 of the Local Government Act 2002 and setting out the information required by section 202 namely: the contributions payable in each district in respect of reserves, network infrastructure and community infrastructure; the events giving rise to the requirement for development contribution; and specified by district and by activity.

**SERVICE CONNECTION** means a physical connection to a service provided by, or on behalf of, the Council.

**SUBDIVISION** has the same meaning as Section 218 of the Resource Management Act 199 i.e.

(a) The division of an allotment –

- (i) by an application to a District Land Registrar for the issue of a separate certificate of title for any part of the allotment;  
or
- (ii) by the disposition by way of sale or offer for sale of the fee simple to part of the allotment; or
- (iii) by a lease of part of the allotment which, including renewals, is or could be for a term of more than 35 years; or
- (iv) by the grant of a company lease or cross lease in respect of any part of the allotment; or
- (v) by the deposit of a unit plan, or an application to a District Land Registrar for the issue of a separate certificate of title for any part of a unit on a unit plan; or

(b) An application to a District Land Registrar for the issue of a separate certificate of title in circumstances where the issue of that certificate of title is prohibited by section 226.