

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

9.4.1 The benefits of funding additional infrastructure capacity resulting from development growth through development contributions include greater transparency and allocative efficiency through passing on the actual costs to developers. The use of catchments also aids transparency and allocative efficiency by signalling the variations in the cost of providing infrastructure according to the characteristics of the particular locality and the nature of the works required. Although development contributions are not a significant administrative cost once systems are established, for small catchments collection of development contributions may not be cost effective and therefore a citywide fee will be more efficient for some activities with a large number of widely located projects.

#### **9.5 OVERALL IMPACT ON COMMUNITY WELLBEING**

9.5.1 Ensuring adequate levels and balance between the various sources of funding to provide appropriate infrastructure is central to promoting the social, economic, environmental and cultural wellbeing of the city. Funding the cost of providing increased capacity in city's infrastructure through development contributions rather than rates serviced debt promotes equity between existing residents and newcomers.

9.5.2 Council resolved that it retains the option of departing from the principle that development should pay 100% of growth related capital expenditure for particular infrastructure if the Council were to be of the view, following the consideration of section 101(3) LGA factors, that there is a demonstrable case supporting a variation.

### **10 CAPITAL EXPENDITURE IN RESPONSE TO GROWTH**

#### **10.1 Activities and catchments for which development contributions may be required**

10.1.1 LGA 2002 allows Council to require a development contribution from any development for:

- Capital expenditure expected to be incurred as a result of growth; or
- Capital expenditure already incurred in anticipation of growth<sup>6</sup>.

10.1.2 Development contributions will be required for Council-funded capital works resulting from growth associated with the provision of the following network infrastructure and reserves.

##### ***Water supply***

10.1.3 Development contributions will be required for:

- The ongoing citywide upgrade in capacity of the water supply network of pipes and pumping stations;
- Capital works to provide additional reservoir and pump station capacity for specific catchments.

##### ***Wastewater***

10.1.4 Development contributions will be required for:

- The ongoing citywide upgrade in capacity of the networks of wastewater pipes and pumps;
- Council funded capital works associated with the provision of the Council's Clearwater project that serves the Moa Point and Karori Wastewater Catchments and was developed with additional capacity in anticipation of growth;
- Capital expenditure incurred to purchase additional capacity in the Porirua Treatment Plant from Porirua City Council.

<sup>6</sup> Section 199(2) LGA.

### ***Stormwater***

10.1.5 Development contributions will be required for the ongoing citywide upgrade in capacity of the network of pipes and streams that make up the stormwater system.

### ***Roading***

10.1.6 Development contributions will be required for the ongoing Citywide upgrades of roads, public transport facilities, cycle ways and pedestrian walkways to facilitate growth.

### ***Reserves***

10.1.7 Development contributions will be required in three catchments – a citywide catchment, an inner city catchment and for greenfield development (in accordance with section B6.1.2 of this policy).

## **10.2 GROWTH-RELATED CAPITAL EXPENDITURE**

10.2.1 The table in Appendix A (table 1) sets out for each activity:

- The capital expenditure identified in the 2006/07 LTCCP (as amended) that the Council expects to incur to meet the increased demand for network infrastructure and reserves resulting from growth;
- The total amount of development contribution funding sought for that activity;
- The proportion of the capital expenditure that will be funded by development contributions and other sources of funding.

10.2.2 Where Council anticipates funding from a third party (such as Land Transport New Zealand) for any part of the growth component of the capital expenditure budget, then this proportion is excluded from the costs used to calculate development contributions.

## **10.3 CAPITAL COSTS ALREADY INCURRED IN ANTICIPATION OF GROWTH**

10.3.1 Development contributions will also be required from development to meet the cost of infrastructure capacity already incurred in anticipation of development where Council has assessed it appropriate and reasonable.

10.3.2 For the purpose of this policy, taking a development contribution for capital expenditure already incurred in anticipation of development is considered appropriate for the wastewater network infrastructure in the catchment areas of the Moa Point and Western treatment plants (Clearwater), Council's share of the Porirua Treatment Plant and for several water supply catchments but not for any of the other listed activities in section 10.2 above.

10.3.3 Prior to 1 July 2005 the capital expenditure already incurred to meet increased growth demand for network infrastructure and reserves is summarised in Appendix A (table 2).

## **10.4 USE OF DEVELOPMENT CONTRIBUTIONS**

10.4.1 Council will use development contributions either for or towards the capital expenditure for which they were required, or for providing analogous reserves or network infrastructure (or community infrastructure if development contributions are set in the future).

10.4.2 Where a development contribution is received for capital expenditure that has already been incurred by Council, Council will have met its obligations under the Local Government Act 2002 that relate to the use of the Development Contributions, unless a refund is due.

10.4.3 Where Council has received development contributions for reserves, in addition to the powers governing the use of development contributions for reserves in the Local Government Act 2002, Council must use the land or cash received as follows:

- Cash – within 20 years of it being received;
- Land – within 10 years of it being received, unless a longer period is agreed with the party who paid the contribution. (Note: in all circumstances the Council will seek to reach such an agreement).

## 11 HOW DEVELOPMENT CONTRIBUTIONS HAVE BEEN CALCULATED

### 11.1 LGA REQUIREMENTS

11.1.1 Section 201(1)(a) of the LGA 2002 requires the Development Contributions Policy to include, in summary form, an explanation of and justification for the way each development contribution in the schedule to the policy is calculated.

11.1.2 In summary, each contribution has been calculated in accordance with the methodology set out in Schedule 13 of the LGA 2002, by using the following seven step process.

STEP	EXPLANATION	LGA REFERENCE
<b>One</b>	<p><b>Define catchments</b></p> <ul style="list-style-type: none"> <li>• A catchment is the area served by a particular infrastructure, e.g. reservoirs, pumping stations and pipes.</li> <li>• Catchments are defined with reference to characteristics of the service, the common benefits received across the geographical area supplied and judgement involving a balance between administrative efficiency and the extent of common benefits.</li> </ul>	LGA Schedule 13 1(a)
<b>Two</b>	<p><b>Identify ten-year capital expenditure resulting from growth</b></p> <ul style="list-style-type: none"> <li>• The proportion of total planned costs of capital expenditure for network and community infrastructure and reserves from the LTCCP resulting from growth.</li> <li>• Growth costs (capacity increase to cater for new entrants) can be funded in full or in part by using development contributions. This is one of three components of the total ten-year capital costs budgeted in the LTCCP, the other two components being level of service improvements and renewals. These two costs must be met from funding sources other than development contributions.</li> <li>• Justification for the level of growth capital expenditure should be supported by Financial Management funding considerations (refer to 3 above) and show significant assumptions and impacts of uncertainty.</li> </ul>	LGA 106(2)a and Schedule 13 1(a)  LGA 106(2)(a)  LGA 101(3)(a) LGA 201(1)(b)
<b>Three</b>	<p><b>Identify the percentage of growth related ten year capital expenditure to be funded by development contributions</b></p> <p>Unless the Council wishes to reduce fees for clear policy reasons, this is likely to be 100% in most cases, because:</p> <ul style="list-style-type: none"> <li>• It directly relates to the planned capital expenditure set out in the LTCCP and detailed in the Council's Asset Management Plans; and</li> <li>• The capital expenditure identified for growth can be reasonably identified.</li> </ul>	LGA 106(2)(b)