Absolutely POSITIVELY
Me Heke ki Pōneke Wellington City Council Wellington

Tabled Information Development Contributions Subcommittee Reference 014/10DC(a)

Memorandum

Date: 18 May 2010 File ref:

To: **Mayor Prendergast, Cllr Foster, Cllr Pepperell, Cllr Wade-Brown**

From: **John McSweeney**

Cc: **Teena Pennington**

Subject: **Further information on the implementation of the development contributions policy**

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1. Introduction

This memo responds to questions raised by the Development Contributions Sub-committee at the 21 April 2010 DC Sub-committee meeting in relation to the implementation of the Development Contributions Policy (DC Policy).

2. Executive Summary

This memo contains the following additional information:

- rates versus development contributions funding
- Christchurch, Hutt and Porirua City Council approaches to development contributions compared with Wellington City Council
- DC implications of converting vacated commercial buildings to apartments
- additional information on compliance with the development contribution provisions of the Local Government Act 2002
- an explanation of the self assessment and remission processes
- the development contribution impacts of growth related development on the provision of water, roading and traffic, wastewater and reserves infrastructure.

3. Discussion

This section responds to the specific questions raised at the 21 April 2010 DC Subcommittee meeting.

3.1 General issues

3.1.1. What are the issues associated with rates funding versus development contributions funding?

Determining funding sources

The Local Government Act 2002 requires a local authority to determine appropriate sources of funding following consideration of a range of matters set out in section 101(3). This includes how funded services/infrastructure will give effect to:

"(i) The community outcomes to which the activity primarily contributes; and
(ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
(iii) the period in or over which those benefits are expected to occur; and
(iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
(v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and

b) 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."

Once the sources of funding have been determined, Section 102 requires a local authority to adopt a number of funding and financial policies including a Revenue and Financing Policy and a policy on *Development Contributions or Financial Contributions*.

The requirements of the revenue and financing policy are outlined in Section 103. This requires the policies to be separately stated with respect to the funding of operating and capital expenditures from the funding sources such as *general rates*, fees and charges, interest and dividends from investments, borrowing proceeds from asset sales, financial contributions under the Resource Management Act 1991, and *development contributions*.

Development contributions

Development contributions may be required if the effect of the development is to require new or additional assets or assets of increased capacity and, as a consequence, the territorial authority incurs capital expenditure[1] to provide appropriately for reserves, network infrastructure, and community infrastructure. Capital expenditure is funded through debt. Payment of this debt recognises that an asset, such as Moa Point, has been built to provide for the present and future needs of a growing city. These capital costs are based on growth and usage assumptions.

Council's DC Policy (which forms part of the LTCCP) states that development contributions will fund *100 percent of growth related capital expenditure*. The key issue associated with rates funding vs development contribution is explained by the funding principle that *"Existing ratepayers should not subsidise developers, nor should development levies subsidise existing ratepayers."*

3.1.2. What approach do Christchurch, Hutt, and Porirua City Councils' take to development contributions compared with Wellington City Council?

Development contribution approaches

Appendix 1 provides a summary of development contribution approaches and charges in these three cities compared with Wellington City. For the purpose of analysis, non-residential activities have been based on a comparison of a 500m² commercial development in a central city location within each of the four cities.
A comparison of residential DCs is also provided. This shows how different approaches have been applied to greenfield, infill and small residential development.

[1] Capital expenditure represents expenditure on property, plant and equipment. These are tangible assets that are held by the Council for use in the provision of its goods and services (for example, roads and footpaths, reservoirs, playgrounds and playing fields, etc).

This summary shows that the level of DCs vary across the country. This can be attributed to a range of issues such as:

- different expectations of the scale and nature of network and community infrastructure Councils will provide for their communities
- different growth pressures and types of development, eg greenfield and infill development, office, retail, residential and manufacturing etc
- differing service levels, topography and construction constraints
- the condition of existing infrastructure (new or old)
- differing funding choices made by Councils – ie, some having considered s101(3) LGA 2002 they have elected that ratepayers fund some or all of the growth related capital expenditure.

Incentivising development through reducing council charges

Hutt City Council (HCC) are proposing to offer rates discounts and waive all development contribution, building, and resource consent fees for new developments within the CBD. These discounts would be funded from a dedicated pool for a period of three years, and made available to developers on application[2]. No information has been provided to date on the size of the dedicated fund.

These incentives would help give effect to the 20 year vision called *Making Places* – a vision to create a vibrant, liveable, and sustainable CBD based on high quality development. The vision involves developing five key projects[3]. HCC is presently consulting on this package of incentives as part of the 2010/2011 annual plan process for inclusion in an amended LTCCP.

3.1.3. What are the development contribution implications of vacated commercial buildings being converted into apartments in the future?

Commercial buildings left vacant are likely over time to be 'backfilled' by other office uses or converted to other uses such as apartments. This is based on an assumption that over the next 10 years Wellington's population is expected to increase by 10% and the workforce by 11%. When a resource or building consent is submitted for redevelopment, additions or alterations to a vacated building, the proposed development would be reassessed for development contributions. In all cases, EHU credits are given when existing building/s are being extended/replaced by the proposed development. This results in reduced DCs.

Table 1 below summarises the DC calculations relating to the conversion of a 10,000m² office building in the CBD into 100 and 150 two (or more) bedroom apartments (150 EHUs) based on the 2009 DC Policy. No additional floorspace would be created. A credit of 181.8 EHUs would be given for the existing building based on 10,000/55m².

Conversion to 100 apartments	
Residential (citywide and catchment K) - $6044 x 100 EHUs	$604,400
Residential (Catchment K - 3 reserves in 3 years) - $1,988/EHU x 100 EHUs	$198,800
Sub-total	$803,200

[2] This process would enable targeting of strategic developments and leveraging to gain maximum public benefits and ensuring consistency with the CBD *Making Places* initiative ,which forms part of the *Vision CBD 2030*.

[3] These CBD projects relate to creating the 'Dowse Square', building a new road that will provide direct access from SH2 to the CBD, improving transport and parking options, creating a civic heart in southern High St, and establishing a riverside promenade.

Conversion to 100 apartments	
Non-residential credit: (water, wastewater, stormwater, roading) - $4,103/EHU x 181.8 EHUs	-$745,925
Non-residential credit: (3 reserves in 3 years) - $249/EHU x 181.8 EHUs	-$45,268
Total credit for existing building	-$791,193
Total DCs to pay	**$12,007 (excl GST)**

Table 1

Conversion to 150 apartments	
Residential (citywide and catchment K) - $6044 x 150 EHUs)	$906,600
Residential (Catchment K – 3 reserves in 3 years) - $1,988/EHU x 150 EHUs	$298,200
Sub-total	$1,204,800
Non-residential credit: (water, wastewater, stormwater, roading) $4,103/EHU x 181.8 EHUs	-$745,925
Non-residential credit: (3 reserves in 3 years)	-$45,268
Total credit for existing building	-$791,193
Total DCs to pay	**$413,607(excl GST)**

Table 2

The DC Policy requires that one bedroom units be assessed as 0.7 of an EHU. Accordingly there would be no DCs payable on a development involving 100 one bedroom apartments[4]. For 150 one bedroom apartments the DCs payable would be $52,167.

3.1.4. Is the EHU approach in the DC Policy a good proxy or only a good start for assessing the maximum potential development contribution?

EHUs are a proxy for quantifying the demand a new development will place on network and community infrastructure. They are an average unit of demand across a range of non-residential (and residential) uses. They are a useful means of measuring actual growth infrastructure demand as they have been derived from proportioning the total planned costs of capital expenditure for network and community infrastructure and reserves from the LTCCP. Justification for the level of growth capital expenditure is supported by financial management funding and asset management plans, which set out growth and development assumptions. They are therefore based on the best information available to the Council.

DC assessments based on this averaging approach can be reviewed through:

- the self assessment process - this enables an applicant to prepare an impact report that their proposed development is likely to have a lower demand on infrastructure than the average (this is discussed in more detail in question 3.2.1 below);
- the special assessment process - this enables Council to prepare an impact report on a proposed development where it is likely to have a higher demand on infrastructure than the average.

[4] The DC Policy does not include provisions enabling Council to pay DC credits back to developers. However, as shown by tables 1 and 2 above, EHU credits are given to developers when existing buildings are converted to other uses. EHU credits are also given when new buildings replace existing buildings on a site. This recognises that developers should only pay for the growth related portion of the development.

Definition on an EHU

In the 2009 DC Policy a subdivided allotment, or a household unit (as defined in the District Plan) for residential development is one EHU. An equivalent non-residential unit of demand is 55m² of gross floor area (gfa). In the 2007 DC Policy a non-residential unit EHU was 65m² of gfa. The same definition applies across each of the asset groups for which development contributions are required.

The costs allocated to each EHU in different catchments are based on the actual growth related capital costs of providing the various types of network and community infrastructure.

EHU Charges

The 2007 DC Policy charges DCs for non residential developments on an EHU basis as follows:

1. Citywide DCs – uniform charges per EHU apply where the provision of council infrastructure has a citywide benefit. This relates to traffic and roading ($718), water supply ($319), stormwater ($197), wastewater ($268) and reserves ($446) totalling $1,948; and
2. Catchment DCs - specific DC charges apply per EHU where infrastructure is required to service businesses/residences in a particular part of the City. These catchments relate to:
    - 11 water supply catchments
    - 3 roading catchments (Churton–Stebbings ($2,719), Grenada-Lincolnshire ($1,359), and Pipitea Precinct ($540); and
    - 3 reserve categories (inner city residential, inner city non-residential and greenfield developments).
    - 3 wastewater DC catchments (Moa Point, Karori and Northern (Porirua Treatment Plant)

3.2 Legal issues

3.2.1. Explain the roles of council officers and the DC subcommittee in the self assessment and remission processes.

The self assessment and remission processes are separate processes.

Self assessment process for non-residential developments

A developer may request a review of a DC assessment that has been undertaken on a proposed non-residential development, at the service connection, building or resource consent stages. This 'review' process must be in accordance with the 'self assessment' provisions outlined in section 2.5.5 of the DC Policy (2007) by council officers.

Officers are able to determine self assessment applications, and grant reductions in development contribution fees on technical grounds only, provided they are consistent with the DC Policy and would not result in a departure from the requirement to pay 100% of the growth related capital costs of infrastructure. The process is as follows:

- officers will request information from the applicant in the form of a self assessment application. Once the applicant has supplied all the necessary information to

enable an informed decision, the applicant meets with officers to present their case.
- Officers use the assessment guidelines in 2.5.6.3 as a guide only, and use other relevant measures and matters as appropriate.
- a 'self assessment' decision made by officers under delegated authority.

The applicant is then advised that if they do not support the decision they can request it be referred to the DC Subcommittee for a remission decision. At that point the remission process as set out in section 2.6 applies.

Remissions process

The information provided by the applicant as part of the self assessment process is included in a remission request to the DC Subcommittee. Additional information may be supplied if the applicant considers this appropriate.

Officers then write a committee report based on the information supplied and the provisions contained in the DC Policy. The DC Subcommittee may choose to exercise it's discretion to grant a DC remission in exceptional circumstances. Each application must be assessed on its *"own merits and any previous decisions of the Council will not be regarded as creating a precedent or expectations."*

The Policy clearly states that remissions from the Policy *"will only be granted by a resolution of Council, (or a Committee or Subcommittee acting under delegated authority.)"* The DC Subcommittee has been granted delegated authority to make these decisions under section 2.6 (Remission and postponement) of the DC Policy.

3.2.2. Clarify that Councils may exercise its discretion, under section 198(1) of the Local Government Act 2002 (LGA), to not require a development contribution at all so long as that election is made on an equitable basis.

Section 198 of the LGA states that a territorial authority may only impose a development contribution when granting a resource consent, a building consent, or when authorising a service connection, if a development contribution is provided for by a development contribution policy. The discretion to require or not require a development contribution must be considered in light of the provisions contained in the development contributions policy and the facts of the case presented by the applicant.

3.2.3. To what extent does the DC Policy recognise the environmental and infrastructure benefits of 'green buildings'?

Several submissions were received on the 2009 review of the DC Policy about including specific provisions to encourage the development of green buildings. On 5 November 2008 officers advised the DC Subcommittee:

> *"There are a range of potential financial incentives [for environmentally sustainable design initiatives such as green buildings], of which development contribution reductions are only one form. Others include grants, rates rebates, low interest loans or reduced fees. There is also a range of potential regulatory concessions such as planning concessions.*

Having considered the issue the Subcommittee agreed that:

"The DC Policy is not the most appropriate vehicle to advance environmentally sustainable design, and that incentives to encourage environmentally sustainable design be excluded from the scope of the current [2009] review."

District Plan Change 72 proposes some minor changes to the residential area sunlight access plane and site coverage provisions to exempt solar heating panels and water tanks from requiring a resource consent. Other than this, there are no policies currently in place to advance environmentally sustainable design initiatives. If however Council were to pursue such a path then other policy approaches, other than the DC Policy, could, and more appropriately should, be employed by Council.

The DC policy is based on funding growth related capital infrastructure. This infrastructure must meet Council's design standards and legislative requirements. Individual green buildings have a non existent or at best negligible effect on reducing the financial costs associated with providing growth related Council infrastructure. The effect for Council through savings on the water, stormwater or wastewater networks from 'green' buildings will be negligible until such time as a larger percentage of buildings are developed and the effects can be measured and sustained. This is unlikely to happen until either the District Plan or some other regulatory tool requires or facilitates the development of green buildings. At that point design standards and legislation adherence can be reviewed and amended.

Regardless of the day to day usage of water in buildings, the Council has a legal obligation to ensure that it can provide an adequate supply of water in a drought or a break down in the network. When a building runs out of stored rainwater the Council will be required to provide water from the public water network. Relying on claims that a building will only use a miniscule amount of water from the public network is a risk Council can not take.

3.3 Traffic and roading

3.3.1 Are there different traffic and roading development contribution coefficients for different areas of the City?

City-wide

The development contribution policy treats the transport network as a whole and therefore provides for expected growth across the network. This 'city-wide' approach has been adopted for setting roading and traffic development fees to overcome difficulties in locating the source of traffic impacts. This is because it is often easier to identify the location of the problem than it is to derive the source of the traffic. In many cases development may lead to traffic problems well outside the localised area in which the development occurs.

Adopting a city-wide approach provides a more equitable distribution of the overall costs for developing the transport network to meet the demands of new development. As required by the Local Government Act 2002, a 10 year time frame has been adopted for the city wide fee recognising this is planned work that is achievable and underpinned by the LTCCP and asset management plans. Demand for infrastructure and the associated costs have been assessed for the period through the asset management plan. These costs will then be spread proportionately between existing and forecast growth measured by household and equivalent household units.

Type of expenditure	Growth related expenditure	Percentage of total
Vehicle network	$8,000,000	61%
Pedestrian network	$1,200,000	10%
Safety	$1,800,000	14%
Cycleway network	$160,000	1%
Passenger transport	$1,800,000	14%
Total	**$12,960,000.00**	**100%**

Table 3: Citywide traffic and roading costs

This table sets out the city wide growth related capital expenditure that will be collected in development contributions for traffic and roading over the 10 year period covering 2006/7 – 2016/17.

Note: More is spent on roads as they provide the basis for all movement networks which all modes rely on.

Roading catchments

Where precincts and green field development areas (catchments) can be clearly identified these are 'ring fenced' and a fee set that covers the actual additional transport network costs for new infrastructure in that area. Specific traffic and roading catchments relate to Churton–Stebbings ($2,719), Grenada-Lincolnshire ($1,359), and Pipitea Precinct ($540). The total cost of roading and traffic infrastructure is assessed and costs distributed across the total development potential for the area expressed in household units (EHUs).

3.3.2. What are the 10 vehicle trips per day per EHU and the 3.8 trips per person per day based on? Does it incorporate trips other than vehicle trips?

Under the self assessment provisions of the DC Policy (section 2.5.5.3) a 10 trips per day per EHU guideline can be used for determining self-assessment applications. This guideline is used as a measure of the level of demand placed on roading and traffic infrastructure by 'greenfield' household units (1 EHU). This is based on an average of 2.6 persons per household unit in the City and 3.8 residential vehicle movements (on average) per person per day. Accordingly, 2.6 x 3.8 = 10 vehicle movements per household per day.

This guideline has been adopted from the *Transfund Research Report TR 209,* which is widely used by traffic and transport practitioners throughout the country. It is the only nationally available New Zealand document which predicts vehicle parking demand and trip generation rates for greenfield developments where public transport services are sparse and there is a heavy reliance on the private car for mobility[5]. No further analysis is therefore made of other trip modes (such as public transport, walking and cycling etc).

Central city office developments have a more complex modal split. The traditional trip generation rate of the land use is often used in a similar way to the 10 trips per household quoted above. This is done by using published figures from organisations such as the

5 This figure was confirmed recently in a study by Traffic Design Group for the Welsh development of Rossaveell Heights. This involved an application to rezone rural land to Outer Residential Area. In this case the study of properties on the West side of Tawa showed trip generations of between 10 and 12 trips a day.

Institute of Transportation Engineers (ITE)[6] for office/retail development, which relies on a rate in the order of 0.5 trips/employee. Traffic assessment reports are also used to assess traffic and transport impacts. However, they typically focus on vehicle oriented aspects of developments, and fail to address the true multi-modal trip generation of a central city building. There are limited accepted figures on these and each case must be judged on its merits.

A multi-modal approach must be taken for inner city office/retail developments because trips can not be measured only in vehicle movement terms.

3.3.3. If there are two buildings the same size, one having 100 carparks and the other 0 carparks, what difference does this make to the modal split of transport methods and what impact does this have on the development contribution? That is, if trips are made by another method than the normal modal split suggests, will this place different costs on infrastructure and what impact does this have on the development contribution levied?

It is unlikely that most individual office and commercial developments in the City (either with 100 carparks or with none) would result in a difference in DC levies because development across the network is treated holistically and the averages of development balanced out (refer to comments under 3.3.1 above).

It is only when a development/s imposes an extreme growth related impact, such as a large public transport initiative, that it may be treated differently.

Infrastructure investment by Council already assumes that all demand in vehicle growth cannot be met, and that this demand will be managed through travel demand management methods.

3.3.4. Is there any information that different buildings, in terms of where they are located and the way they are set-up, have different transport modal splits?

In the central city the typical modal split for the journey to work is 1/3 private car, 1/3 public transport, and 1/3 walking/cycling and other.

Journey to work statistics (based on 2006 census data) show that people working in the central CBD area mostly walk to work or use public transport.

New office and retail developments in the CBD are a small fraction of the overall size of commercial buildings in the CBD. Therefore, even a green building promoting less parking will not achieve a modal shift (for the central city) away from the car toward public transport or the active modes of walking and cycling than presently exists. Similar comments are made in 3.3.3 above.

3.4 Water storage and usage

[6]The ITE is an international educational and scientific association of transportation professionals who are responsible for meeting mobility and safety needs.

3.4.1 Further information and clarification is required on where the 300 litres per person per day water usage figure comes from.

The Health (Drinking Water) Amendment Act 2007 requires territorial local authorities to ensure uninterrupted provision of drinking water to all points of supply at all times. The Council's *Code of Practice for Land Development* gives effect to this requirement by ensuring that there is at least 24 hours storage (that is, for the current day and the following day) to provide for 1-3 below.

Development contributions are payable to provide for catchment (local) infrastructure as well as city-wide infrastructure. Development contributions pay for the growth-related costs of providing reservoirs and pumping mains (rising mains) for the storage of water to provide for:

1) everyday use (including peak demand);
2) emergency supply; and
3) fire-fighting.

The 300 litres per person per day water usage takes into account that the 'gross supply per capita'[7] in the city is (currently) 443 litres and the estimated residential usage per person is 230 litres/day. The 780 litre guideline that is applied as part of the self assessment process is based on 300 litres of water per person per day multiplied by 2.6 people per 55m² of non-residential GFA. This is equivalent to one EHU.

Council's service level standard of providing 600 litres per person of water storage capacity is based on Council being able to provide water at the same rate for 24 hours (today and tomorrow) before the supply needs to be restored. This could occur if there was a breakdown of supply to the reservoir or broken pipes in the network or pumps, etc. In an emergency, the Council would likely ration the balance of stored water depending on the situation. The water storage requirement is the main area of cost imposed on the provision of the Council's water infrastructure and services.

When assessing the merits of reduced water usage in respect of individual buildings/developments, the main consideration for the Council is that the network has sufficient capacity to meet water demands for the purposes referred in 1-3 above for a 24-hour period.

Similar capacity and usage issues apply to wastewater collection, processing and disposal.

3.4.2. If people are using less water on a day-to-day basis (not considering emergency supply and fire-fighting), where would the lesser demand show up in the overall system, if at all? Would it show up in terms of demand on pipes, pumping stations, treatment stations, and reservoirs? Would less infrastructure be required?

If one-off developments use less water than the average this is unlikely to result in lesser demand in the overall system. It would also not lead to reduced capital infrastructure costs (as referred to in paragraph 4 in 4.4.1 above).

[7] This average is based on the total amount of water used divided by the total population.

If there was a significant level of development (many buildings) occurring within a certain part of the city which results in an overall reduction in water usage it may be possible to provide less infrastructure (and therefore impose lower DCs). Lower DCs could only be charged through the self assessment and/or remission processes, or recognised through a change to the DC Policy . However, the Council would need to be assured that assumptions and usage figures were accurate and permanent. In the meantime, the current design standards (which are based on robust information and analysis over time) would have to remain in place.

3.5 Reserves

3.5.1 What new parks/open space are planned now that 3 parks in 3 years is complete?

DCs have been and will continue to be collected for the '3 parks in 3 years' initiative until the extra capacity created for growth has been met. DCs are also being collected to contribute to the development of Waitangi Park and the upgrade of Cobblestone Park, and for programmed upgrades of Midland Park (2010/11) and Te Aro Parks (2015/16).

Collection of the DC levies can occur before, during or after the development of a park, until the 'growth' capacity is reached. The requirement is that the planned parks are included as part of the LTCCP.

4. Conclusion

This memo answers questions from councillors at the 21 April 2010 DC Subcommittee meeting. This is a memo is for 'information' purposes only.

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Appendix 1

Development contributions by local authority

Wellington City		
Overall approach	Non-residential	Residential
• 17 different infrastructure catchments where DCs vary according to costs of providing local infrastructure • 1 inner city reserve catchment (3 parks in three years) • 3 urban development areas (Johnsonville, Adelaide Rd, Pipitea Precinct)	• Non-residential (includes office, industrial, retail etc) - $35k	• Urban residential (infill) - $4k-$9k • Urban residential (greenfield) - $4k-$9k plus land set aside for reserves and costs of developing the land (eg playgrounds) • 1 bedroom unit – 0.7 of the DCs for a dwelling (or 1 EHU)

Christchurch City		
Overall approach	Non-residential	Residential
• 14 different catchments where DCs vary according to costs of providing local infrastructure • 16 different types of non-residential activity where DCs vary eg office, restaurants, fast food outlets, retail more than 10,000m² and less than 10,000m² etc	• Central commercial area: – Office - $41k – Retail less than 10,000m² - $196k – Warehouse - $17k • Manufacturing - $24k	• Urban residential - $19K - $26k • Urban residential 60-100m2 assessed as less than 1 EHU on a sliding scale (eg 90m2 – 0.9 EHU, 80m2 – 0.8 EHU

Hutt City		
Overall approach	Non-residential	Residential
• Uniform charges across the city, there is only 1 'catchment'	• Commercial (office) - $7.9k • Retail - $12.7k • Industrial - $6.6k	• Urban residential - $10-$12k • Minor dwelling not in excess of 65m² and on a section with an existing dwelling - $1.5k

Porirua City		
Overall approach	Non-residential	Residential
• 6 different catchments where DCs vary according to costs of providing local infrastructure	• Commercial - $5.5k • Industrial - $2.7k	• Urban residential - $9k - $11k

Appendix 2

11 How development contributions have been calculated

11.1 Local Government Act 2002 Requirements

11.1.1 Section 201(1)(a) of the Local Government Act 2002 requires this Policy to include, in summary form, an explanation of and justification for the way each development contribution in the schedule to this 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 Local Government Act 2002, by using the following seven step process.

Step	Explanation	Local Government Act 2002 Reference
One	**Define catchments**	
	▪ A catchment is the area served by a particular infrastructure, eg reservoirs, pumping stations and pipes. ▪ 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.	Sch 13 (1) (a)
Two	**Two Identify 10-year capital expenditure resulting from growth** ▪ The proportion of total planned costs of capital expenditure for network and community infrastructure and reserves from the LTCCP resulting from growth. ▪ 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 10-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. ▪ Justification for the level of growth capital expenditure should be supported by financial management funding considerations (refer to 9 above) and show significant assumptions and impacts of uncertainty.	S 106 (2) (a) and Sch 13 (1) (a) S 106(2) (a) S 101 (3) (a) S 201 (1) (b)
Three	**Identify the percentage of growth related 10-year capital expenditure to be funded by development contributions** Unless the Council wishes to reduce fees for clear policy reasons, this is likely to be 100 percent in most	S 106 (2) (b)

Step	Explanation	Local Government Act 2002 Reference
	cases, because: ▪ it directly relates to the planned capital expenditure set out in the LTCCP and detailed in the Council's Asset Management Plans and ▪ the capital expenditure identified for growth can be reasonably identified. ▪	
Four	**Identify the appropriate units of demand** The selected unit of demand is Equivalent Household Units (EHUs) calculated as follows: ▪ For a greenfield development, an allotment, eg in Northern Growth developments the average lot size is 550 - 600m². ▪ EHUs will be applied uniformly for each lot regardless of size for reasons of administrative simplicity and lot size is not considered to have a material impact on demand. ▪ For non residential development, 55m² (based on average space per office worker of 21m² and an average number of persons per household in the Wellington region of 2.6 (per the 2006 census) or by self-assessment supported by an impact report or by special assessment whereby the Council prepares an impact report as a basis for assessment. ▪ For an infill development, a residential dwelling as defined in clause 5 - Definitions.	Sch 13 (1) (b)
Five	**Identify the designed capacity (in units of demand) provided for growth** ▪ The designed capacity may vary between different types of infrastructure. In many cases it will be considered economically prudent to provide spare growth capacity considerably beyond current 10-year expectations. For example, large scale, high cost citywide infrastructure such as a sewerage treatment plant will have significantly more designed capacity for growth than ongoing roading improvements. ▪ Costs are recovered across the full designed number of EHUs. Projected growth in EHUs over the 10 year period of the LTCCP will be relevant to the Council's budgeting of revenue but not to the calculation of the development contribution per EHU.	Sch 13 (1) (b) & (2)
Six	**Allocate the costs to each unit of demand for growth** ▪ The development contribution charge per EHU is calculated by dividing the total capital expenditure resulting from growth (step two) by the designed	Sch 13 (1) (b)

Step	Explanation	Local Government Act 2002 Reference
	units of demand for growth (step five).	
Seven	**Input results to comprehensive schedule of fees by catchment**	S 201 (2)
	▪ A detailed schedule must be prepared as part of this Policy that enables the development contributions to be calculated by infrastructure type and catchment.	S 201 (1) (a)
	▪ This Policy will be supported by the significant assumptions made to determine the development contributions payable and their impacts, contribution and conditions and criteria for remission, postponement or refund, the valuation basis for assessment of maximum reserves and catchment maps.	S 201 (1) (b), (c) & (d)

11.2 Significant assumptions

11.2.1 Section 201(b) of the Local Government Act 2002 requires this Policy to state significant assumptions underlying the calculation of the schedule of development contributions.

System-wide view

11.2.2 In developing a methodology for the development contributions, the Council has taken a system-wide view in identifying the cumulative effect of development on infrastructure, ie by considering the infrastructure impacts on all ratepayers created by both individual and multiple developments across a catchment. For citywide catchments this means growth is proportionally reflected in total capital expenditure.

Planning horizon

11.2.3 The planning horizon varies by infrastructure type typically ranging from 10 years to more than 50 years. This is consistent with the Council's asset management planning. Longer horizons may result in larger capital expenditure for some projects but also means the costs are spread across a larger designed city capacity (ie greater number of EHUs).

Growth forecasts

11.2.4 The overall planning assumption is for a 10 percent increase in growth and capacity for renewals and upgrades for citywide catchments to take account of the impact on infrastructure of continuing growth within the city over the next 10 years.

Application of costing methods

11.2.5 Average costs have generally been applied to the allocation of capital expenditure between existing and new EHUs. In most cases, it is a difficult and complex exercise to determine incremental costs and average costs reflect a fair allocation of capital infrastructure costs to newcomers.

Cost of individual items of capital expenditure

11.2.6 The Council has used the best information available at the time of developing this Policy to estimate the cost of individual items of capital expenditure that will be

funded in whole or part out of development contributions. It is likely that actual costs will differ from estimated costs due to factors beyond the Council's ability to predict, such as changes in price of raw materials, labour, etc, and the time of capital works. The Council will review its estimates of capital expenditure annually and adjust the LTCCP.

Financial assumptions

11.2.7 The following financial assumptions have been applied:

- All costs in this Policy are based on budgeted infrastructure prices and allowance has been made for inflation from 2010/11.
- Income generated from rates will be sufficient to meet the operating costs of growth related capital expenditure into the future.
- All New Zealand Transport Authority subsidies will continue at present levels and eligibility criteria will remain unchanged.
- The methods of service delivery will remain substantially unchanged.