



Methodology for the Development Contribution POLICY 2015

(incorporating a review
and analysis of options)

June 2015

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INTRODUCTION

Legal framework

1. In executing its functions under the Local Government Act 2002 (LGA) as it relates to the preparation of a policy on development contributions, the Council must demonstrate that it has undertaken an analysis of the reasonably practicable options for the Development Contributions Policy (DCP), in accordance with sections 77 and 82A(2) of the LGA.
2. The amendments to the DCP are also subject to clause 9 of Schedule 1AA of the LGA – ‘*transitional provision relating to additions to development contributions policy*’. This clause of the LGA requires a specific set of issues to be addressed in the DCP by 1 December 2014¹. While Council is only required to address these specific matters in its draft DCP by 1 December 2014, due to the consequences of the amendments, Council has decided to review and consult on its entire DCP.
3. When making any decision in relation to the DCP, Council must also have regard to the purpose of development contributions and the development contributions principles, as set out in sections 197AA and 197AB of the LGA, and section 101(3).

Context

4. The first section of this paper explains the DC methodology. The second section of this paper explains the various policy options in relation to the DCP, and the rationale for Council choosing the options it has chosen. Each policy matter has been assessed in accordance with the LGA.
5. This paper supports Council’s DCP, and sits alongside Council’s development contribution model (“the DC model”) and the related project briefs².
6. The key changes from the 2012 DCP fees schedule to the 2015 DCP fees schedule are outlined in appendix 1.
7. Table 1 below sets out how compliance with Schedule 13 of the LGA is achieved.

Table 1: Schedule 13 methodology for calculating development contributions

Schedule 13 requirements	Comment
1 Methodology for relating cost of community facilities to units of demand	
In order to calculate the maximum development contribution in respect of a community facility or an activity or group of activities for which a separate development contribution is to be required, a territorial authority must first—	
(a) identify the total cost of the capital expenditure that the local authority expects to incur in respect of the community facility, or	Refer to the DC model (available from Council on request), and the DCP (in

¹ Related to sections 197AA and 197AB – new purpose and principles, s197 – new definition of community infrastructure, and s198A – restrictions on powers to require contributions for reserves.

² The model and the project briefs provide information in accordance with section 106(3) of the LGA.

Schedule 13 requirements	Comment
activity or group of activities, to meet increased demand resulting from growth within the district, or part of the district, as the case may be; and	particular the Schedule of Assets for which Development Contributions will be used).
(b) identify the share of that expenditure attributable to each unit of demand, using the units of demand for the community facility or for separate activities or groups of activities, as the case may be, by which the impact of growth has been assessed.	<p>Refer to sections in this paper on:</p> <ul style="list-style-type: none"> ▪ Population and HEU growth assumptions ▪ Residential assumptions ▪ Population assumptions ▪ HEU assumptions. <p>Also refer to the DC model (available from Council on request), and the DCP.</p>
(2) A territorial authority may identify capital expenditure for the purposes of calculating development contributions in respect of assets or groups of assets that will be built after the period covered by the Long-term Plan and that are identified in the development contributions policy.	Refer to the DC model (available from Council on request), and the DCP (in particular the Schedule of Assets for which Development Contributions will be used).
<p>(3) The total cost of capital identified in subclause (1) may in part relate to assets intended to be delivered beyond the period covered by a territorial authority's Long-term Plan if—</p> <p>(a) the assets concerned are identified in the development contributions policy; and</p> <p>(b) the total cost of capital expenditure does not exceed that which relates to the period over which development has been assessed for the purpose of setting development contributions.</p>	<p>Refer to the DCP - Schedule of Assets for which Development Contributions will be used.</p> <p>Refer to the DC model.</p>
<p>2 Attribution of units of demand to developments</p> <p>For the purpose of determining in accordance with section 203(2) the maximum development contribution that may be required for a particular development or type of development, a territorial authority must demonstrate in its methodology that it has attributed units of demand to particular developments or types of development on a consistent and equitable basis.</p>	Refer to paragraphs 93-127 (Policy options) of this paper.

Key stakeholders in the DCP

8. The key stakeholders considered to have an interest in the DCP are those persons undertaking development and ratepayers. A discussion on these key stakeholders follows:
9. For those undertaking development (ie developers) price is a primary consideration. The price of land, the price of materials and labour, the price of contributions, and the final sale price all influence the overall cost of development. All of these factors contribute to the overall price of the finished development.
10. The Council is aware of the cost burden its infrastructure funding decisions have on development, and the challenges those undertaking development face in getting

their products into the market. The key issues for those undertaking development are considered to be affordability and the availability of core infrastructure provided in a timely manner – not too early and not late.

11. In terms of ratepayers Council generally provides public infrastructure for growth ahead of growth occurring and once built, this infrastructure will generally require annual operating costs that need to be funded as well.
12. While operating costs are funded through rates and user charges, Council must remain aware of the potential operating cost burden from additional growth infrastructure in a market with limited development. The cost of this operating expenditure will still need to be met whether new ratepayers arrive or not. If new development does not materialise, this cost (including the cost of capital) will fall to the existing ratepayers.
13. Growth projections and capital spending for growth have to be closely aligned and monitored in order to ensure infrastructure is provided only where and when it is required – the Waipa District Plan provides the blueprint that will enable developers and Council to work in partnership to reduce the risk of Council providing infrastructure that is not utilised and developments occurring in locations where infrastructure is insufficient to cope with the increased demand.
14. The District Plan manages growth sequencing and staging through objectives, policies and rules. The sequencing and staging of growth in the District Plan is closely linked to the Waipa District Growth Strategy 2050, and the Future Proof Growth Strategy³. In addition, Council's capital infrastructure spend in its Long-term Plan 2015-25 has been programmed having regard to Council's growth sequencing and staging aspirations and affordability.
15. The Council is aware of the potential implications of under-recovery of growth spending on the ratepayer body as a whole and will be monitoring both the delivery of growth infrastructure and the rate of development in order to manage this risk.
16. Council considers that the key issues for the ratepayer body as a whole, is for growth to generally pay for the costs of growth, and for the rating effect of growth infrastructure to be managed by the Council.
17. The Council also anticipates that some contributions will be paid by new residents and businesses coming to Waipa and locating in new premises. The District Plan forecasts growth across Waipa and shows where, when and what types of development are required in order to achieve the wider outcomes of the District Plan. Forecast growth will influence the extent and scale of the Council's capital expenditure projects, which itself will ultimately derive the contribution price that newcomers will be required to pay.

³ Refer to Appendix 1 of the Development Contribution Policy.

METHODOLOGY

Decision to require development contributions

18. Since Council adopted its first DCP in 2006, the Council has decided to principally fund the growth related costs of development via development contributions (DCs) under the LGA. The principle underlying development contributions is that developers should meet Council's growth related capital expenditure costs in the interests of achieving financial equity between existing ratepayers and new developers⁴.
19. In 2006 the Council decided to principally fund these costs via DCs due to the complexity of levying financial contributions (FCs) under the Resource Management Act 1991 (RMA), and the high costs associated with a decision on FCs being appealed to the Environment Court.
20. Notwithstanding that decision, it is noted that Council's Proposed District Plan (PDP) provides the opportunity for FCs to be levied (refer to section 18 of the PDP), however these are only levied in the following circumstances:
 - Where development contributions cannot be levied – typically because the capital expenditure to support the new development is not provided for in the long term plan under the LGA.
 - To provide a mechanism to mitigate adverse effects of development and subdivision on the environment.
21. An analysis of the various reasonably practicable options for funding Council's capital expenditure costs attributable to growth are discussed in table 2 below.

Table 2: Options for funding Council's growth related capex

Analysis	Options			
	No DCP and no FCs	DCP only	FCs only	Both DCP and FCs
Benefits	No Council implementation costs. No cost to developers.	Only one regime to administer. Certainty for customer. Potential number of appeals to Environment Court minimised. Consistency with neighbouring	Only one regime to administer. Certainty for customers.	Both DCs and FCs can be applied where relevant. FCs are able to be used where development relates to capital expenditure that is not provided for in the LTP.

⁴ i.e. 'growth pays for growth'.

Analysis	Options			
	No DCP and no FCs	DCP only	FCs only	Both DCP and FCs
		councils		
Costs	Ratepayers fully fund all public infrastructure (non private).	<p>Not able to be applied to development where capital expenditure is outside the scope of LTP.</p> <p>Specific environmental effects not able to be addressed (i.e. Heavy Vehicle Impact Fee (HVIF).</p> <p>Cant levy reserves costs on non-residential developments.</p> <p>Restricted definition of community infrastructure.</p>	<p>High costs of appeals to Environment Court.</p> <p>Council may not recover the full growth related capital costs of development.</p> <p>Lengthy process to establish - of a significantly slower pace than the pace of changes to capex expectations at each LTP.</p>	Potential confusion of running both systems.
Community outcomes	<p>This option does not promote or achieve the outcome 'we are financially sustainable', as not recovering the growth related cost of capital expenditure from developers places a greater burden on ratepayers to fund all public infrastructure. This is not considered sustainable for the community in the long term.</p> <p>This option does not sheet the true cost of development to the developer.</p> <p>This option does not promote infill and better utilisation of existing assets.</p>	This option promotes the outcome 'we are financially sustainable' by ensuring that ratepayers are not funding the growth related cost of capital expenditure.	This option partially promotes the outcome 'we are financially sustainable' by ensuring that some infrastructure costs can be recovered from developers.	<p>This option promotes the outcome 'we are financially sustainable' by ensuring that ratepayers are not funding the growth related cost of capital expenditure; and by ensuring that specific effects based impacts of development (i.e. the effects of heavy vehicles) are able to be levied when required, as FCs.</p> <p>It is noted a DC cannot be levied where FCs have been required as a condition on a resource consent for the same development for</p>

Analysis	Options			
	No DCP and no FCs	DCP only	FCs only	Both DCP and FCs
	This option would be considered 'business friendly' by developers.			the same purpose (s200(1)(a) of the LGA)).
Impact on capacity to meet present and future needs	This option will seriously impact on the capacity of Council to meet present and future needs in relation to its statutory responsibilities to provide infrastructure services (i.e. water (s130 LGA)), wastewater, roading). If ratepayers are required to fully fund all development, then Council would be required to delay or not undertake infrastructure works because of affordability for Council. This would in turn affect level of service (LOS).	This option will ensure that Council is better able to meet present and future needs in relation to its statutory responsibilities in terms of required capital infrastructure works. This is because equitable fees assist the affordability of projects.	This option will impact on the capacity of Council to meet present and future needs in relation to its statutory responsibilities to provide infrastructure services. FCs can only be levied where there is a clear environmental effect to be addressed, and this is unlikely to fully fund the growth related capital expenditure costs. Equitable fees assist the affordability of projects.	This option will ensure that Council is better able to meet present and future needs in relation to its statutory responsibilities in terms of required capital infrastructure works. Equitable fees assist the affordability of projects.

22. It is considered that none of these options directly involve a significant decision (as defined in section 77 of the Act) in relation to land or a body of water, in terms of the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga.
23. Having regard to the assessment above, it is considered that the option of Council having both a DCP and FCs pursuant to the RMA is the most appropriate option. This recognises that the use of FCs and development contributions needs to be balanced, in recognition that neither instrument on its own provides a fair and equitable outcome to the community⁵. Development contributions alone cannot equitably address all the effects of development. DCs can only be utilised in relation to growth related capital expenditure where the costs are recognised in the LTP. There may be circumstances where FCs are required in order to enable developers to mitigate adverse environment effect from their development with expenditure that is not

⁵ Particularly in the case of equity between what the community should pay for, and what developers should pay for.

contained in the LTP . It is noted that a DC or FC cannot be charged for the same effect.

Population and HEU growth assumptions

24. In order for Council to consider the level of development contributions required, an assessment of population projections to at least the 10 years of the LTP is required.
25. Accordingly, a report on population and dwelling projections was produced by the National Institute of Demographic and Economic Analysis (NIDEA) as background to this policy. The report “2014 Review of Demographic and Labour Force Projections for the Waikato Region for the period 2013-2063”, was commissioned by the Future Proof Sub Regional Growth Strategy Technical Advisor on behalf of the Future Proof Partner Councils. The report covers ‘Usually Resident Population Projections’ by 5 year age group and sex, household and dwelling projections and labour Force projections. Census Area Unit forecasts were subsequently produced by NIDEA. The population projections are based on the cohort component method of projection and provide high, medium and low variants. The medium variant for both population and household projections was chosen for development of this policy.
26. The projections provided by NIDEA were modified slightly to account for the current economic climate. This does not alter the total growth expected, just its timing over the next 10 years. Council considers this a prudent and realistic basis for decision-making related to growth. Table 3 below shows the population and residential HEU growth predictions underpinning this policy.

Table 3: Population and residential Household Equivalent Unit (HEU) growth predictions

	Population			HEUs		
	Total	Increase	%	Total	Increase	%
2013	46,400	-	-	17,995	-	-
2023	50,966	4,566	9.84%	21,611	3,616	20.09%
2033	55,384	8,984	19.36%	25,204	7,209	40.06%
2063	51,758	5,358	11.55%	24,810	6,815	37.87%

Source: Adapted from NIDEA report (2013)

27. A catchment approach is noted in the Policy where relevant to assets. The increase in demand and growth HEUs have been based on the population and demand growth assumptions used by Council’s asset managers in developing the asset management plans (AMPs). These assumptions have regard to either the design capacity of the relevant projects, the population growth for the term of the LTP, or the capacity of individual growth cells.
28. The forecast population growth in the AMPs is consistent with the data in the NIDEA growth report. For HEU assessment purposes, a conversion factor of 2.58 persons per average household has been applied.

29. HEUs for cost recovery for LTP funded growth cells (i.e. Cambridge North, Picquet Hill) have been based on the estimated projected lot yields within those catchments.

Residential growth assumptions

30. Based on the 2013 Census New Zealand data the household occupancy in Waipa District is 2.58 persons per household. This has been calculated as follows:

$$\begin{aligned} & \text{population / number of households} \\ & 46400 / 17995 = 2.58 \end{aligned}$$

31. It is considered that it is reasonable to use 2.58 persons/household as the average persons per Housing Equivalent Unit (HEU) in the DCP. It is noted that the 2012 figure was 2.71 persons per HEU.
32. Catchment growth capacity for specific growth cells has been derived from Waipa 2050 and Appendix S1 (Growth cells and timing) of the PDP. For non-growth cell catchments, the growth capacity has been based on the projected population for that catchment.

Non-residential growth assumptions

33. Non-residential growth assumptions are based on the Waipa District Business Growth Overview⁶ (October 2014) prepared by Property Economics with input from Council.
34. The forecast non-residential growth is based on population employment projections and this is converted into Gross Floor Area (m²). This in turn is converted into household equivalent units using a range of conversion factors that equate to 100m² of commercial/industrial or retail floor area. This analysis was used for purposes of forecasting total growth demand for both asset management design decisions and setting of development contribution fees.
35. Council's view is that significant additional greenfield non-residential land areas will not be required for a number of years. Current expectations are that further non-residential growth is therefore likely to be at a low level. In light of this, an increase in non-residential HEUs has been assumed in asset management planning and development contribution fee setting on the basis of an additional 77 HEU equivalents over the 10 year period 2015-2025.

Requiring development contributions for activities

36. In all of Council's DCP's (since 2006), Council has determined to fund a portion of the total cost of capital expenditure necessary to service growth over the long term for the following activities:
- a) Rooding and transport

⁶ Refer to Appendix 1 of the Development Contribution Policy.

- b) Water
- c) Wastewater
- d) Stormwater
- e) Community infrastructure
- f) Parks and reserves

37. An analysis of the various reasonably practicable options for funding these activities is discussed in the table below. Generally speaking, the analysis shows that funding via the DCP is the most appropriate option, having regard to a range of factors as outlined in the table. It is noted that this analysis applies to all infrastructure, however where it is not applicable to a certain activity, this is discussed in the paragraphs following the table. In addition, it is noted that the option to fund infrastructure via FCs has been evaluated and discounted previously in this report. These discussion and reasons remain valid, and therefore FCs has not been identified as an option in table 4 below.

Table 4: Options for funding activities

Analysis	Options		
	(1) Not included in DCP and no other DC/FC method to recover costs applied - i.e.: not recovered from rates	(2) Fund via DCP	(3) Levy a fee at the time of connection to Council infrastructure ⁷
Benefits	No Council implementation costs. No cost to developers.	The community are not required to rates fund growth related capital expenditure identified in the LTP. Developers and the community both pay a reasonable, fair, equitable and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term.	Would allow Council to recover the growth related capital expenditure from developers.
Costs	The community fully funds from rates all public infrastructure caused by growth.	Depending on the quantum of the levy, this may impact on business investment in Waipa.	Administratively inefficient. Creates more opportunities for errors to occur (eg. ROWs with one vehicle crossing and many dwellings). Shifts the burden of development contributions

⁷ A 'connection' includes a wastewater connection, water connection, stormwater connection or vehicle crossing.

Analysis	Options		
	(1) Not included in DCP and no other DC/FC method to recover costs applied - i.e.: not recovered from rates	(2) Fund via DCP	(3) Levy a fee at the time of connection to Council infrastructure ⁷
			<p>from initial developers to builder/dwelling owners.</p> <p>Would not be able to recover all growth costs associated with stormwater, as some developments do not physically connect to stormwater infrastructure.</p>
Community outcomes	<p>This option does not promote or achieve the outcome 'we are financially sustainable', as not recovering the growth related cost of capital expenditure from developers places a significant burden on ratepayers to fund all public development. This is not considered sustainable for the community in the long term.</p> <p>This option could by way of a subsidy on development, promote the 'economically progressive' goal, in terms of developing Waipa as a great place to do business.</p> <p>This option does not promote the sustainable use of community infrastructure.</p>	<p>This option promotes the outcome 'we are financially sustainable' by ensuring that a fair share of infrastructure costs can be recovered from developers.</p>	<p>This option promotes the outcome 'we are financially sustainable' by ensuring that a fair share of infrastructure costs can be recovered from developers.</p>
Impact on capacity to meet present and future needs	<p>This option will seriously impact on the capacity of Council to meet present and future needs in relation to its statutory responsibilities in providing infrastructure services. If the community is required to fully fund all infrastructure, then Council could be required to delay or not undertake other works. This would in turn affect levels of service (LOS) for the community.</p>	<p>This option will help ensure that Council is able to meet present and future needs in relation to its statutory responsibilities to provide the required capital infrastructure works.</p>	<p>This option will help ensure that Council is able to meet present and future needs in relation to its statutory responsibilities to provide the required capital infrastructure works.</p> <p><u>Stormwater only:</u></p> <p>This option will have the same effect as option 1, as the community would be required to fully fund all</p>

Analysis	Options		
	(1) Not included in DCP and no other DC/FC method to recover costs applied - i.e.: not recovered from rates	(2) Fund via DCP	(3) Levy a fee at the time of connection to Council infrastructure ⁷
			(public) stormwater infrastructures; as in some cases there is no physical connection to the infrastructure.
Considerations pursuant to s101(3)⁸ of the LGA	<p>This option is not consistent with s101(3) of the LGA in that:</p> <p>The developer does not pay a fair and equitable share of the costs to fund growth; and</p> <p>Consequently, there is not a fair and equitable distribution of benefits between the community and developers.</p>	<p>This option is consistent with s101(3) of the LGA in that:</p> <p>The principal user / exasperator pays; and</p> <p>There is fair and equitable distribution of benefits between the community and developers.</p>	<p>This option is consistent with s101(3) of the LGA in that:</p> <p>The principal user / exasperator pays; and</p> <p>There is fair and equitable distribution of benefits between the community and developers.</p>
Considerations pursuant to s197AA and 197AB of the LGA - purpose and principles of DCs	N/A	This option, if utilised will be consistent with the DC purpose & principles.	N/A

38. While the analysis above applies generally to most activities, there are additional considerations as a result of the recent amendments to the LGA for the activities community infrastructure and parks and reserves, as follows:

- a) Parks and reserves:
 - i. Recent amendments to the principal Act prevent Councils from requiring contributions from non-residential developments for parks and reserves. Therefore, Council is unable to recover the growth share of this activity from non-residential developers under the option 'fund via DCP'⁹.

⁸ In summary, s101(3) states that the funding needs of the Council must be met from those sources that the Council determines to be appropriate, following consideration of a number of factors. These are: community outcomes; distribution of benefits between the community and individuals; the period in or over which those benefits are expected to occur; the extent to which actions/inaction of individuals or a group contribute to the need to undertake the activity; the costs/benefits of funding the activity distinctly from over activities; and the overall impact of any allocation of liability for revenue needs on the community. Refer to the LGA for the full text of the section.

⁹ It is noted that Waipa District Council has never required non-residential developments to pay DCs for community infrastructure or parks and reserves.

- ii. There is a further option to be considered, which is to fund parks and reserves from FCs. While this option has already been considered above, and discounted, it is worth noting:
 - There is no provision in the District Plan for reserve contributions to be collected. As Section 18 of the PDP is now operative, Council would need to undertake a variation to amend the PDP to provide for reserve contributions.
 - Council recently considered FCs as part of the PDP process. The time and cost to undertake a further variation is not considered feasible.
 - DCs and FCs related to a development would be routinely charged via two separate mechanisms, under different Acts (resource consent and development contribution notice). This will be potentially confusing for developers, and add administrative complexity.
 - Reserve contributions (as resource consent conditions) are subject to appeal to the Environment Court and therefore are less certain and secure as a funding stream for Council.

b) Community infrastructure:

- i. In terms of option 2 (fund via DCP), the scope of capital expenditure that is recoverable is very limited¹⁰ (due to the amended definition in the 2014 amendment to the LGA) compared with the option of recovering via FCs.
- ii. In terms of the impact on present/future needs, it is noted that Council is not required by statute to provide community centres, halls, play equipment or toilets for use by the public. However these are facilities that ratepayers request and use. Rates are therefore likely to increase under this option, as the services are still required.

39. To summarise, options for Council to fund the growth capital costs for community facilities¹¹ for the various activities are:

- a) Do not fund via DCs or FCs (i.e. fund via rates);
- b) Fund via a DCP;
- c) Fund via FCs pursuant to the RMA;
- d) For the activities water, wastewater, stormwater, and roading/transport: fund via a connection fee.

40. The analysis of the various options above shows that there are strong reasons for Council to continue to principally fund the growth related capital costs for community facilities via a DCP. While there are also some benefits to using

¹⁰ Council complies with the new definition of 'community infrastructure' in its 2015 DCP.

¹¹ As defined in section 197(2) of the LGA.

connection fees for some activities, on balance it is considered that this is not preferable due to the fragmented processes that will result, and the additional administrative costs and time to implement various processes. In addition, levying a contribution via the connection process will, in many cases, shift the burden of payment from the initial developer to a subsequent owner; and in addition using this method would not enable Council to recover all the growth related capital infrastructure costs (particularly for roading/transport and stormwater).

41. Having regard to the above, Council will continue to recover DCs for the six activities identified above via a DCP.

Catchment principles – identification of catchments

42. In order for Council to comply with the LGA, Council must identify the relevant catchments that each activity should be contained within. This must be done within the parameters of the LGA, in particular section 197AB (g), which states:

“(g) when calculating and requiring development contributions, territorial authorities may group together certain developments by geographic area or categories of land use, provided that—

“(i) the grouping is done in a manner that balances practical and administrative efficiencies with considerations of fairness and equity; and

“(ii) grouping by geographic area avoids grouping across an entire district wherever practical.”

43. It is noted that the LGA requires Council to identify appropriate, fair, equitable and practical catchments for the purpose of calculating development contributions. As per the LGA, district wide catchments are avoided wherever practical, and such catchments have only been used where it has been considered appropriate for fairness/equity or administrative efficiency.
44. As the LGA requires catchments to relate to the area of benefit, in most cases the activity service or supply area¹² is the most legally robust, fair and equitable method of allocating DC catchment areas. However, where it is not practical to allocate catchments on this basis, or where the benefits extend beyond the activity service or supply area, the Council may take other approaches that balance practical and administrative efficiencies.
45. The other catchment options considered for each activity are district wide, ward based, town boundary¹³, or service areas. An assessment of the merits of each approach is discussed below.

¹² ‘Service or supply areas’ refers to the area serviced by Council infrastructure. For example a water supply area, or a wastewater service area.

¹³ Based on the PDP – Appeals Version urban limits.

Roading and transport

46. The following table assesses how strongly each option meets the requirements of the LGA.

Table 5: Catchment options: roading and transport

Catchment type	Compliance with LGA				
	Community outcomes - 'Financially sustainable'	Capacity to meet present/future needs, statutory responsibilities	s101(3)	s197AB(c)	S197AB(g)
District-wide	Weak	Weak	Medium	Medium	Medium
Ward based	Very weak	Very weak	Very weak	Very weak	Very weak
Town boundary	Medium	Strong	Medium	Medium	Medium
Service area	Strong	Strong	Strong	Very strong	Very strong

47. As demonstrated by table 5 above, ward based catchments are not appropriate as there is no rational link between wards, the infrastructure growth projects, and the area of benefit. Accordingly, despite having some benefits in terms of administrative simplicity due to a reduced number of catchments; this option is considered to have significant limitations due to being unable to meet the requirements of the LGA.
48. Likewise, district-wide catchments are not preferred for this activity for the same reasons. Although the area of benefit derived from the projects can be considered in some cases to be district-wide, an analysis of the growth projects has shown that this is not robust.
49. Having regard to the above analysis, this activity has been allocated catchments based on the service areas, which in this case, covers the same area as the town boundary catchments.

Water supply and wastewater

50. The following table assesses how strongly each option meets the requirements of the LGA.

Table 6: Catchment options: water and wastewater

Catchment type	Compliance with LGA				
	Community outcomes - 'Financially sustainable'	Capacity to meet present/future needs, statutory responsibilities	s101(3)	s197AB(c)	S197AB(g)
District-wide	Weak	Weak	Very weak	Very weak	Very weak
Ward based	Weak	Very weak	Very weak	Very weak	Very weak
Town boundary	Weak	Medium	Weak	Weak	Weak
Service area	Strong	Strong	Very strong	Very strong	Very strong

51. Similar to the analysis for roading and transport, district-wide, ward based and town based catchments are not considered appropriate, as these catchments do not relate to the actual reticulated area of supply/service. As per the discussion above for roading and transport, the benefits for each option of administrative simplicity are outweighed by the negative limitations in terms of legislative compliance.
52. Therefore, these catchments will be based around the infrastructure supply areas receiving the benefits. In terms of the growth cells (i.e. Cambridge North), it is noted that these catchments have their own unique growth related capital infrastructure projects. As a result, the growth cells are required to pay both their share of the specific growth related infrastructure costs to service the growth cell, plus a share of the growth related infrastructure projects within the adjoining existing urban catchment that the growth cell connects into, and eventually becomes part of.
53. Having regard to the above analysis, these activities have been allocated catchments based on the service areas.

Stormwater

54. The following table assesses how strongly each option meets the requirements of the LGA.

Table 7: Catchment options: stormwater

Catchment type	Compliance with LGA				
	Community outcomes - 'Financially sustainable'	Capacity to meet present/future needs, statutory responsibilities	s101(3)	s197AB(c)	S197AB(g)
District-wide	Weak	Weak	Very weak	Very weak	Very weak
Ward based	Weak	Weak	Weak	Weak	Weak
Town boundary	Medium	Medium	Medium	Medium	Medium
Service area	Strong	Strong	Strong	Very strong	Very strong

55. Stormwater in Waipa District is managed in accordance with a number of comprehensive stormwater consents granted by the Waikato Regional Council. These comprehensive stormwater consents have associated stormwater management plans which set out how Council manages stormwater in the towns of Cambridge, Te Awamutu, Kihikihi, Ohaupo, Pirongia, and Karapiro.
56. As these stormwater management plans do not relate to the entire district or the wards, catchments allocated on this basis are not considered equitable.
57. For the purpose of this analysis, the 'service area' is considered to be those areas subject to the comprehensive stormwater consents. However, while the analysis shows service areas as strongly meeting the requirements of the LGA, the comprehensive stormwater consent areas cover a much greater extent (due to topography¹⁴) than the areas Council is primarily concerned about for the purpose of DCs¹⁵. It is also noted that the stormwater growth capital projects are linked to urbanisation.
58. Therefore, the catchments have been based around the stormwater management plan areas, to the extent of each respective town boundary. This is considered to balance most appropriately practical and administrative efficiencies with considerations of fairness and equity.

¹⁴ Stormwater catchments are reflective of land contours, and these contours do not always relate to the town boundaries, which generally reflect the extent of urbanisation.

¹⁵ These are the existing and growth urban areas of the towns.

Community infrastructure, parks and reserves

59. The following table assesses how strongly each option meets the requirements of the LGA.

Table 8: Catchment options: community infrastructure and parks and reserves

Catchment type	Compliance with LGA				
	Community outcomes - 'Financially sustainable'	Capacity to meet present/future needs, statutory responsibilities	s101(3)	s197AB(c)	S197AB(g)
District-wide	Strong	Medium	Medium	Medium	Weak
Ward based	Weak	Weak	Very weak	Very weak	Very weak
Town boundary	Medium	Medium	Medium	Medium	Medium
Service area	Weak	Weak	Weak	Weak	Weak

60. For the reasons identified above for water and wastewater, ward based catchments and town boundary catchments are not considered appropriate.
61. In addition due to the proposed projects for community infrastructure and parks and reserves¹⁶, and their potential use by the entire District (rather than solely the towns they are near or situated in), it is difficult to define 'service areas' in terms of their areas of benefit (i.e. identifying the people who derive the benefit from the projects). This is particularly evident when considering the size of Waipa District, and that a 20km radius from each main town of Te Awamutu and Cambridge significantly overlaps to the extent that nearly the entire district is covered.
62. Having regard to these matters, it is considered that there is a rational basis to establish a single district wide catchment for these two activities, as all projects in these two activity groups will or could provide benefits to developments across the District. Although this approach does not avoid district wide catchments, is considered to best balance practical and administrative efficiencies with fairness and equity.

¹⁶ There are only seven proposed growth related capital projects for these activities.

Cost of capital (interest costs)

63. Council has not previously included the cost of interest in its DCPs, for reasons of administrative simplicity and to encourage development. It was also assumed that interest received on fees collected in anticipation of construction later in the period would in any case make a partial contribution to offsetting construction cost inflation.
64. For the same ongoing reasons, no cost of capital, including interest and compensation of Council for taking the risk of building infrastructure in advance of demand, is included in growth cost calculations for the 2015 DCP. These costs of capital are met by rates.

Inflation, PPI and GST

65. Costs for all projects in the DCP are based on current estimates of infrastructure construction prices and in today's dollar terms. Inflation is not able to be applied to growth projects in the DCP, due to recent changes to the LGA (section 106(2C)). However Council's LTP will have inflation applied to projects, and for this reason the dollar values for the same projects will differ between the LTP and the DCP.
66. As provided for by section 106(2C) of the LGA, development contributions may be amended annually by the Producer Price Index Outputs for Construction (PPI)¹⁷. This will enable Council's DC fees to maintain their real value in the face of the inflating cost of capital projects.
67. The PPI base for the DCP will be set at the most recent PPI quarterly rate, which will be the March 2015 value as published by Statistics NZ (i.e. 1114)¹⁸.
68. All financial information is exclusive of GST in the DCP unless otherwise stated.

Methodology for growth infrastructure

69. All growth infrastructure in the DCP is either included in the 2015-25 LTP with the intention that it will be built during the ten years to 2025 or has been built previously (historical capital expenditure) with capacity to service growth.
70. The growth HEUs and development may not have been completed by 2025 however, and this is recognised in the distribution of the costs to HEU's beyond the ten years of the LTP.
71. Collection of development contributions for the identified projects starts in year one, as projects either serve imminent growth or address the impacts of recent growth. Development that takes place before construction of new assets is assumed to either take up growth capacity already provided or lead to a decline in level of service until

¹⁷ As provided by Statistics New Zealand (table 1, outputs, all construction). It is noted that this will also result in differences in \$ values between the DCP and the LTP.

¹⁸ For example, in the June 2014 quarter the PPI value is 1092.

the new capacity is available. In either case a development contribution fee remains payable.

72. The different approaches used for apportioning costs to growth in relation to plants and headworks, greenfields (e.g. Cambridge North), and local reticulation works are as follows:
- (a) Plants and headworks – These are Treatment Plants for wastewater and water, reservoirs, and the truck pipes that take water to them. Recovery of growth related costs will be based on the number of growth units over the capacity life of the assets. This approach helps manage the significant financial risks faced by Council in creating infrastructure in anticipation of growth for these projects. It is financially prudent and a fair balance of developer and wider community interests.
 - (b) Greenfields – These are new developments on undeveloped land within the urban areas. Adjusted average cost pricing is used for determining the cost of supplying growth capacity in a new asset for greenfields. This means growth pays a share of the costs calculated as growth capacity divided by total capacity (growth capacity plus capacity for any existing ratepayers), less any third party contributions. This method is used where the catchment is clearly identifiable, such as stormwater in Cambridge North.
 - (c) Local reticulation works – These projects are within existing urban areas, and are generally pipe renewals with a growth component¹⁹. They are part of a 10-Year rolling programme of works (reviewed every 3 years) that provide growth capacity to existing urban areas and growth cells. These DCs are calculated by dividing the cost of the growth proportion of the program by the 10 year growth HEUs. The resulting DC component will be similar over each DCP cycle. This option is used where the upgrade works programme is not easily identified to a specific sub-catchment.
73. Growth assumptions using Council’s Growth Strategy (Waipa 2050) have been explicitly considered by Council’s Asset Managers when specifying and ultimately costing all new assets.
74. The risk is that Council builds infrastructure for which uptake, and therefore cost recovery, may be slower than expected. Debt servicing costs to ratepayers are also reduced by limiting the time frame over which growth costs are recovered. An implication of this working assumption is that development in the first ten years will pay a higher fee compared with the alternative of charging across all growth for which capacity has been provided.

¹⁹ Only the growth portion of a project is used in the DC calculation.

75. All growth projects in this Policy are provided for in the LTP, and will either be constructed within the term of the LTP, or have already been completed in anticipation of growth.

Methodology for historical capital expenditure

76. Historic capital expenditure has been recognised where there is a direct link to a capacity upgrade that will enable services to be provided for growth, and therefore costs should be recovered from developers.
77. Historic capital expenditure includes expenditure that has been made prior to the 2015 LTP, and where projects will require further expenditure for completion during the 2015-25 LTP timeframe (i.e. partially completed projects).
78. There are two forms of historical capital expenditure that the Council includes in its development contribution fees as follows:
- a) Completed projects identified as planned projects in earlier development contribution policies (2006, 2009 or 2012); and
 - b) Completed projects that continue to provide network capacity for growth.
79. Growth HEU predictions for historical capital expenditure have been reviewed to ensure the capacity calculations remain valid.
80. The costs and benefits of these historical projects will lie where they fall on the basis that Council had used the best available information at the time to inform its development contributions methodology.
81. This approach means that assets, such as treatment and processing plants, community infrastructural assets, and network roading arterial assets, represent historical capital expenditure that should be recognised.
82. Actual rather than planned costs are used to calculate the fees for completed projects. Other than this adjustment, the same methodology is used to allocate capital expenditure to growth for planned projects (i.e. growth's share of the total actual capital expenditure less actual third party subsidies, where appropriate, divided by the designed or useable HEU capacity, or expected HEU growth variously over a 10-35 year period).
83. At the commencement of the next LTP period, currently forecast projects in years 1-3 are planned to have been completed.

Development contribution model

84. The development contribution model (Excel spreadsheet) contains all capital expenditure projects in the LTP, and includes capital expenditure projects already delivered by council in anticipation of growth. Council records information for its capital expenditure projects in terms of their relationship to the following expenditure types:

Table 9: Expenditure types

Renewal	Maintains and continues the provision of services. Increases the physical integrity and remaining life of assets with no change to the asset base.
Level of service	Results in improved standards of quality, reliability, responsiveness, safety, comfort, flexibility, regulatory requirements or similar. May or may not result in new or additional assets.
Growth	Increased availability and capacity to cater for increased people, water, traffic or similar. Associated with an increase in the asset base – the number of assets, total area or length.

85. This initial categorisation and individual project and programme information inform the development contributions methodology but are not the sole basis for cost allocation.
86. The methodology uses an Excel based model, which lists projects and programmes under each activity and funding area for which development contributions may be required. The calculation of the development contribution amounts (if any) payable for any project or programme line in the model is carried out in accordance with schedule 13 of the LGA in order to ensure compliance with legislation.

HEU assumptions

87. As discussed above, based on the 2013 Census New Zealand data the household occupancy in Waipa District is 2.58 persons per household. This has been used as the basis for the number of persons per household per HEU.
88. In the NZ Transport Agency research report 453 (2011), the 85th percentile figure of 10.4 vehicles per day (vpd) (in + out) per household is recommended as an appropriate figure for design and assessment purposes when considering the full range of households within a catchment. However, for administrative simplicity²⁰, Council will continue to adopt an HEU demand of 10 vehicle movements per day (VMPD).
89. Water average consumptions per HEU are based on Waipa District Council's 2012, 2013 & 2014 Water Demand Management Plans which calculate the annual average daily per person use. The management plans for Te Awamutu, Cambridge, and Kihikihi have annual average daily per person usage of 237, 245 and 237 litres respectively. For the purpose of the DCP, these have been averaged across the district as follows:

$$241 [(237+245)/2] * 2.58 = 622 \text{ litres/HEU}$$

90. In respect of wastewater, the New Zealand accepted industry standard for residential wastewater flow is that 70% of water going into a household is discharged as wastewater²¹. For the purpose of the DCP, this is calculated as follows: 435 litres/HEU (70% of 622).

²⁰ In terms of calculations and conversion factors in particular.

²¹ i.e. Waikato District Council and Hamilton City Council use 70%, Watercare use 78.5%.

Reserves

91. Section 203(1)(a) of the LGA requires Council to demonstrate for reserve contributions, that it has not exceeded the greater of:
- 7.5% of the value of additional allotments created by a subdivision; and
 - The value equivalent of 20 square metres of land for each additional household unit or accommodation unit created by the development.
92. Using subdivision in Cambridge North as an example²², it is assumed that an allotment would have an average sale price of \$200,000 - \$225,000 (incl. GST). The reserve contribution per HEU in Cambridge North is \$1,468 (GST inclusive). The following table demonstrates that section 203(1)(a) of the LGA is complied with.

Table 10: Compliance with Section 203(1)(a)

Sale price	7.5% of value:	Comment
\$200,000	\$15,000	The reserve contribution per HEU is 0.73% of \$200,000.
\$225,000	\$16,875	The reserve contribution per HEU is 0.65% of \$200,000.

²² It has the highest catchment reserves DC rate in Waipa District.

POLICY OPTIONS

Options for dwellings

93. The questions ‘what is a dwelling?’ and ‘what is a sleep out?’ are an issue for DCP implementation. The definitions of ‘dwelling’ and ‘sleep out’ are fundamental to the decision as to whether DCs should be levied or not for some types of residential development. Despite the 2012 DCP providing more clarity on this matter than previous DCPs, some developers continue to design dwellings and label floor plans in order to avoid the payment of DCs²³. There is also a potential equity question, in terms of levying (for example) the same DC rate for a dwelling of 75m² GFA, to a dwelling of 300m² GFA.
94. The main policy considerations can be summarised as follows:
- (a) Consumption of capital projects is people driven, so the number of people in a household is key. This is not always reflected in house sizes, number of bedrooms or bathrooms. These matters are more commonly linked to income and house location
 - (b) What is the most equitable way to levy DCs for dwellings?
 - (c) Does Council continue to use kitchens as a trigger to levy an additional HEU?
 - (d) If kitchens are retained as a trigger, what constitutes a kitchen?²⁴; and
 - (e) What is a ‘minor dwelling’²⁵.
95. In order to inform this analysis, a review of how some other Councils in NZ assess dwellings in their DCPs has been undertaken. This analysis included 11 Councils, and notably Waikato District Council, Hamilton City Council and Auckland Council (the latter two having most recently reviewed their DCP’s in 2013).
96. The analysis showed a range of methods were used by Councils in relation to dwellings. Some Council’s provided for minor dwellings (under 60m² GFA), while others provided a sliding scale based on the GFA (i.e. if the average size = 80m², the DC is 0.8 HEU per unit). In other cases, there was no DC charge for an additional minor dwellings less than 40m².
97. Alternatively, Auckland Council levy different HEUs for attached high rise dwellings, attached low rise dwellings, and detached dwellings. The reason Auckland Council have taken this approach is that they have determined that infrastructure costs

²³ It is noted that this issue may be minimized marginally if the HEU rate is significantly lower. Of particular relevance is the quantum of the Rooding and Transport portion of the levy, which in the 2012 DCP is significant at \$9,314 per HEU.

²⁴ Noting that some new dwellings now include kitchenettes in guest bedrooms.

²⁵ In the 2012 DCP, a minor dwelling is any dwelling less than 70m² GFA, excluding garaging.

increase for less dense, 'sprawl' type development, as opposed to centres based on medium/high density development²⁶.

98. It is noted that residential development in Waipa District comprises predominately low-density detached dwellings, whether within the towns, or within rural areas.
99. Each of the options are discussed below, followed by further analysis on how the options meet the requirements of the LGA.

Density based approach

100. As discussed above, Waipa District is predominately comprised of low-density detached dwellings, with limited areas of medium density dwellings. Because Waipa District does not have large pockets of medium or high density dwellings, there are no infrastructure savings available in terms of reduced costs for high density development. Therefore, it is not considered viable for Waipa's DCP to differentiate dwelling HEUs on the basis of dwelling density as Auckland have done for their 2012 DCP. This may however be appropriate under a Development Agreement, where a higher occupancy occurs.

Gross floor area based approach

101. In terms of the GFA of dwellings²⁷, it is noted that several Councils currently use a sliding scale of contributions depending on the GFA of the dwelling. For example, Rotorua District Council's former²⁸ DCP is as follows:

▪	Less than 40m ²	No Charge
▪	40m ² to less than 60m ²	50% HUE
▪	60m ² to less than 70m ²	60% HUE
▪	70m ² to less than 80m ²	70% HUE
▪	80m ² to less than 90m ²	80% HUE
▪	90m ² to less than 100m ²	90% HUE
▪	100m ² or greater	100% HUE or 1 HUE

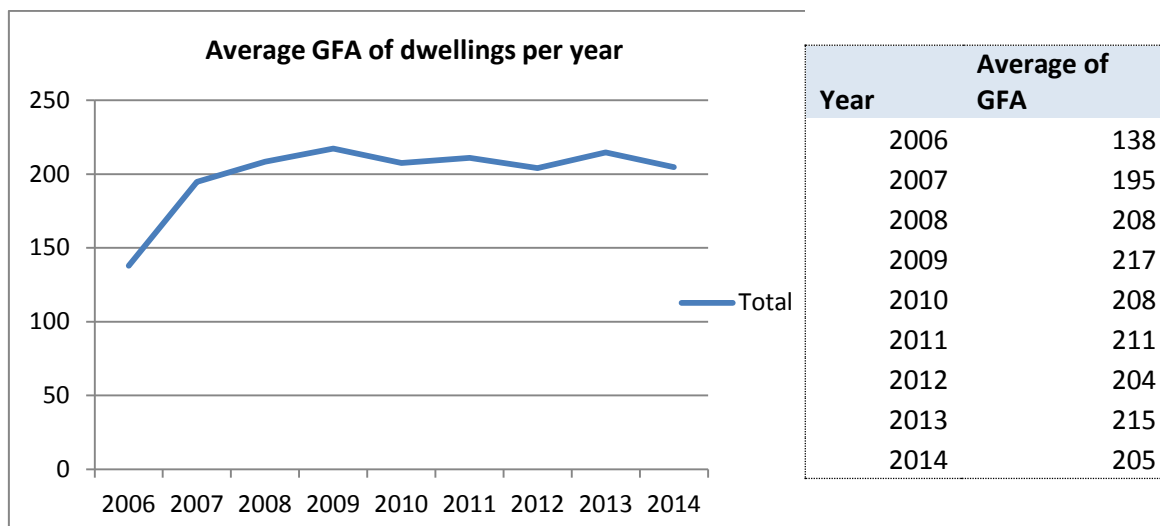
Note these are expressed as HEU's in Waipa's DCP.

102. In terms of Waipa DC, an analysis of the average GFA's has been undertaken for dwellings from 1 July 2006 to 15 July 2014. The results of this are shown in the graph and table below:

²⁶ Auckland Council undertook a literature review which found that demand for, and hence the capital cost of infrastructure per dwelling unit decreases when density and land use mixes increases. While Auckland Council does not administer water and wastewater, it was noted that the literature findings also identified that higher density and mixed residential developments required less infrastructure capital costs per HEU for these activities.

²⁷ Which includes attached garages.

²⁸ Rotorua District Council no longer charges DCs because of very low growth.



103. As evident from the graph and data above, Waipa's average dwelling size has increased from approximately 140m² in 2006 to over 200m² in 2014.
104. It is also noted that the average household occupancy has increased from 2.71 persons/household in 2011 to 2.76 persons /household in 2013.
105. While Waipa's dwellings are relatively large, it is difficult to relate the GFA of a dwelling to demand on Council's infrastructure. This is because it is the people who live in a dwelling who generate demand, rather than the size of the dwelling. Council is unable to know whether a large dwelling has many people in it, or 1-2 people. Conversely, Council has no way of determining whether a small dwelling has 5 people in it, or one.
106. For these reasons, including increased administration costs due to a more complex scale system, it is not considered equitable or reasonable to assume that larger or smaller dwellings generate more or less demand than 1 HEU.

Bedroom based approach

107. Having regard to the limitations identified above, because demand is generated by people, it is arguable that bedrooms could be linked to actual demand. In theory, the more bedrooms a dwelling has, the more people will live in a dwelling. However, this approach also has limitations as Council cannot be sure that more bedrooms will automatically equal more occupants (i.e. some large dwellings only have two occupants).
108. Additionally, there are administrative problems with basing demand on bedrooms, because dwellings can be designed with a range of rooms that may or may not be bedrooms. Although it is possible to resolve this issue by way of definitions, due to the difficulty with linking bedrooms to actual demand on Council infrastructure, it is not considered equitable, reasonable, or administratively sound to use this approach.

109. Having regard to the above, the following table assesses how each option meets the requirements of the LGA.

Table 11: Dwelling options

Dwelling option	Compliance with LGA				
	Community outcomes - 'Financially sustainable'	Capacity to meet present/future needs, statutory responsibilities	s101(3)	s197AB(c)	S197AB(g)
Density	Very weak	Very weak	Weak	Weak	Weak
Gross floor area	Weak	Weak	Weak	Weak	Weak
Number of bedrooms	Medium	Medium	Medium	Medium	Medium
1 HEU per dwelling	Very strong	Very strong	Strong	Strong	Strong

110. In conclusion, Council considers that levying 1 HEU per dwelling²⁹ is fair and equitable, and appropriately balances practical and administrative efficiencies with fairness and equity.

Retirement villages /units

111. Several NZ Councils³⁰ currently charge a different HEU rate for retirement villages / aged care rooms. The Auckland Council report³¹ notes that retirement villages (appropriately registered as such under the Retirement Villages Act 2003) are commonly charged a lower rate than a normal household due to the following typical characteristics:

- Smaller household unit size – typical retirement village units are generally smaller than a typical dwelling, particularly if in an apartment configuration;
- Smaller household occupancy size – typical units are occupied by a single or a couple, and generally average 1.2, with occupancy managed via contract on other residents;
- Less household reliance on water and wastewater (a function of lower average occupancy);
- Less reliance on transport networks – especially peak period travel by car, and reflected in a lower requirement for on-site car parking in District Plans;
- Less demand for public reserve space due in part to the provision of on-site amenities, and also to less mobility (although it would be incorrect to

²⁹ Subject to specific considerations for minor household units and retirement villages/units.

³⁰ E.g. Christchurch City Council, Rotorua District Council, Auckland Council.

³¹ “Residential Activity Demand & Attribution- Auckland Council Development Contributions Policy 2012”, Ian Munro, Urbanismplus Ltd.

conclude that retirement village occupants do not regularly use or appreciate the amenity value of reserves).

112. Auckland Council has determined (2013 DCP) that a retirement village generates a demand profile of 0.5 HEUs³² per unit, and aged care rooms generate demand of 0.4 for community facilities, 0.2 roading and transport and 1 HEU per 292m² ISA³³. Conversely, Christchurch City Council in their DCP have determined that retirement village units generate demand as follows: reserves 0.25, water 0.5, wastewater 0.5, roading and transport 0.3, cemeteries 1.0.
113. It is noted that Council has received feedback previously from developers of retirement villages that these developments should be levied less than 1 HEU per unit. One reason cited was that actual occupancy from a resthome organisation with numerous retirement villages in NZ over the last 3 years has been 1.22 persons/unit average.
114. For the reasons identified by Auckland Council³⁴ and others, Council considers that retirement village units do not generate the same level of demand as standard residential dwellings (i.e. 1 HEU), and that a 0.5 HEU factor should apply.

Minor household units

115. Since Council's first DCP in 2006, minor household units (MHUs) have been levied at 0.5 HEU for any dwelling under 70m² GFA (excluding garaging). The 70m² GFA criteria for MHUs was originally based on the Operative District Plan (ODP) GFA size limit for 'dependant relatives dwellings'³⁵.
116. Rules related to dependant relatives dwellings in Council's ODP have since been superseded by Council's PDP, which has specific rules for 'secondary dwellings'. These rules also allow secondary dwellings to be erected, provided they are not more than 70m² GFA excluding garaging. Because Council is seeking to encourage secondary dwellings through its PDP³⁶, it is appropriate to support this in the DCP by allowing a 0.5 HEU rate for dwellings of 70m² or less.
117. The DCP thus makes provision for MHUs at 70m² excluding garages.

³² The demand is considered to be similar to high density. It is also noted that Rotorua City Council charges 0.5 HEUs

³³ ISA = Impervious surface areas.

³⁴ It is noted that Christchurch City Council, Rotorua District Council, and Tauranga City Council also use the same factor.

³⁵ i.e. in order to be a permitted activity to have two dwellings on a site, one of the dwellings had to be 70m² or less GFA.

³⁶ In recognition of Council's projected aging population and changing community needs.

Non-residential development

118. Another key issue for DCP implementation is the assessment of non-residential developments, and how such assessments may or may not encourage economic development / business investment in Waipa District.
119. Council is cognisant of the need to carefully balance its aspirations to have strong economic growth in Waipa District against the need to recover a fair and equitable share of growth related capital expenditure from non-residential developers. Prudent balancing of these two competing needs will ensure that neither the community or non-residential developers are required to fund a unequitable portion of these growth related costs.
120. Council therefore considers that encouraging business growth (whether by way of business expansion or new businesses) in the district has many positive community benefits that must be taken into account when considering how DCs should be levied. Businesses help create vibrant communities, and providing for a range of employment options contributes to Council’s aspirations to have communities where people live, work and play.
121. With this in mind, Council has determined that only non-residential developments which exceed certain thresholds (in terms of demand on Council’s infrastructure) should be required to contribute towards growth. Non-residential developments that exceed these thresholds will be significant developments that in turn place significant additional demand on Council’s (growth related) capital infrastructure. Requiring DCs from only these non-residential developments is considered to balance most appropriately the need to recover some contributions from these developers with considerations of fairness and equity.
122. The non-residential ‘trigger’ thresholds are as follows:

Table 12: Non-residential thresholds

Activity	Threshold
Roading & transport	The development will generate ≥ 100 vehicle movements per day (VMPD).
Water supply	The development (or expansion / redevelopment) requires a water connection from the main into the development greater than 20mm diameter. The assessment will be calculated by analysing the water use of similar developments as well as any information supplied by the developer.
Wastewater	The development (or expansion / redevelopment) requires a water connection from the main into the development greater than 20mm diameter. The assessment will be calculated by analysis of the water supply use.
Stormwater	The development (or expansion / redevelopment) increases the impervious surface area (ISA) on a site and there is an increase in stormwater flow off the site in a 2% Annual Exceedance Probability (AED) event. The assessment will be calculated using a factor of 0.35 HEU’s per 100m ² impervious surface area only.

123. In terms of roading and transport, the threshold has been set at 100 vehicle movements per day (VMPD). This threshold relates to rule 16.4.2.23 of the District Plan, which require a resource consent for a Traffic Impact Assessment (TIA) for activities that generate more the 100 VMPD. While rule 16.4.2.23 make some distinctions between collector roads and local roads³⁷, for the purposes of the DCP, the threshold of 100 VMPD applies regardless of the road access is obtained from. Any traffic volume above 100 VMPD is considered to generate demand on Council's roading and transport infrastructure, regardless of the type of road the development connects to. In order to undertake this assessment the TIA (submitted as part of the resource consent) will be considered, along with any other information considered relevant by Council.
124. In terms of the threshold for water supply, a development contribution will only be required where a development requests a water connection >20mm diameter. The reason for this is that it is considered that a water connection greater than a standard 20mm diameter connection indicates that the activity will be a higher water user than the assumed water demand per HEU. Due to the relationship between water and wastewater, when the threshold for water is triggered, an assessment of wastewater demand is also required. It is noted that where appropriate, a development agreement may be entered into to enable the water demand to be assessed after 12 months of continuous operation of a development.
125. In terms of stormwater, a development contribution assessment is only undertaken when there is an increase in ISA on the site, which will increase stormwater flow off the site as set out in table 12 above.

Development agreements

126. Recent amendments to the LGA has codified the use of development agreements for DCs. It is noted that Council has used this tool extensively since the inaugural DCP in 2006, and will continue to do so where appropriate.
127. Due to the unique characteristics of Cambridge North, specific provision has been provided in the DCP as part of a development agreement, for Council to consider an assessment based on a per hectare rate for comprehensive residential development, compact housing (or similar density residential developments).

Timing of development contribution payments

128. As previously discussed in this paper, Council is aware of the funding realities facing developers, particularly for significant developments³⁸. For example, due to these funding constraints, subdivision developers often wish to defer payment of DCs beyond the section 224c certificate timeframe, to the sale of individual titles. This enables them to manage their cash flow, particularly due to the significant

³⁷ i.e. a resource consent for a TIA would not be required for 100-249 VMPD for collector/local roads.

³⁸ A significant development is considered to be a subdivision of ≥ 10 lots, or ≥ 10 additional dwellings on a single title.

infrastructure requirements of large subdivisions. To recognise this Council has provided the opportunity in the DCP for the deferral of development contribution payments for these developments as part of a development agreement.

129. However, in providing this opportunity, Council is mindful of the need to ensure that the funding constraints for developers is appropriately balanced against the risks to the community of allowing indefinite time periods for DC payments to be deferred. If DC payments are able to be deferred for long time periods, the risk to Council increases, as does the requirement for Council to fund infrastructure in advance of receiving DCs to contribute towards the payment of that infrastructure.
130. To manage this risk, Council has decided that the deferral of payments can only occur for a maximum timeframe of 24 months. This timeframe is considered to allow sufficient time for a developer to manage cashflow, while balancing the risks to Council.

Rainwater tanks

131. In considering options for DCs, Council has considered whether DCs for water or stormwater should be reduced if rainwater tanks are installed. Rainwater collection can have two key functions, one is to reduce the negative impact on waterways of high flows, and the other is to retain water for non-potable use.
132. In terms of the first function, this is done by retaining the rainwater off impervious areas – usually rooftops and sometimes paved areas such as driveways. The tank releases the stored water at a slow rate to reflect at least ‘greenfield’ runoff. Water retained for non-potable use is commonly for gardening and external taps; and internally – for toilet flushing and laundry use.
133. Rainwater tanks which are installed to mitigate the negative impact on waterways, are often installed to enable a development to meet Council’s stormwater requirements (and therefore ensure that Council is able to comply with its urban stormwater comprehensive consent conditions). Retention on or off site of stormwater is already required and so rainwater tanks installed for these purposes are accounted for in the stormwater DC calculations, and a remission is therefore not considered appropriate.
134. Rainwater tanks which are installed for non-potable use, does reduce the demand for potable water and arguably could result in reduced infrastructure requirements. However, while there are some benefits to this, the risk to Council is that unless the tanks are a requirement under a resource consent, or bylaw (and therefore enforceable), they may be disconnected, or not maintained. This would result in potable water being used, and therefore an increase in capacity being required, but not recovered through DC’s.
135. On this basis, Council will not remit DCs for rainwater tanks, unless a rainwater tank is installed as an enforceable requirement of a dwelling. In circumstances where

Council considers that the risks are able to be managed and enforced, Council may consider remitting DCs for rainwater tanks as part of a development agreement.

APPENDIX 1: KEY DIFFERENCES BETWEEN 2012 FEES SCHEDULE AND 2015 FEES SCHEDULE.

Catchment	2012 fee	Proposed 2015 fee	Reasons for change
Te Awamutu	\$23,780	\$9,970	<p><u>Roading:</u></p> <ul style="list-style-type: none"> It is no longer practical to identify specific growth capacity within the existing network. Removal of district-wide historical projects- now catchment based. <p><u>Water:</u></p> <ul style="list-style-type: none"> It is no longer practical to identify specific growth capacity within the existing network. Reticulation growth expenditure now charged over larger number of growth HEUs. Council's recent increased knowledge of the water supply system and improvement costs. <p><u>Stormwater:</u></p> <ul style="list-style-type: none"> Removal of existing network capacity for growth. <p><u>Wastewater:</u></p> <ul style="list-style-type: none"> Council's recent increased knowledge of the wastewater system and improvement costs. It is no longer practical to identify specific growth capacity within the existing network. Reticulation growth expenditure now charged over larger number of growth HEUs. <p><u>Community Infrastructure:</u></p> <ul style="list-style-type: none"> A number of district-wide historical projects have been removed from the schedule as they are more appropriately funded by rates. Review and consequent reduction in the growth portion of projects. <p><u>Parks & Reserves:</u></p> <ul style="list-style-type: none"> Removal of district-wide historical projects. Review and consequent reduction in the growth portion of projects.
Kihikihi	\$23,367	\$6,785	<p><u>Roading:</u></p> <ul style="list-style-type: none"> It is no longer practical to identify specific growth capacity within the existing network. Removal of district-wide historical projects- now catchment based. <p><u>Water:</u></p> <ul style="list-style-type: none"> It is no longer practical to identify specific growth capacity within the existing network. Council's recent increased knowledge of the water supply system and improvement costs. <p><u>Stormwater:</u></p> <ul style="list-style-type: none"> Removal of existing network capacity for growth. <p><u>Wastewater:</u></p> <ul style="list-style-type: none"> Council's recent increased knowledge of the wastewater system and improvement costs. It is no longer practical to identify specific growth capacity within the existing network. Reticulation growth expenditure now charged over larger number of growth HEUs.

Catchment	2012 fee	Proposed 2015 fee	Reasons for change
			<p><u>Community Infrastructure:</u></p> <ul style="list-style-type: none"> A number of district-wide historical projects have been removed from the schedule as they are more appropriately funded by rates. Review and consequent reduction in the growth portion of projects <p><u>Parks & Reserves:</u></p> <ul style="list-style-type: none"> Removal of district-wide historical projects. Review and consequent reduction in the growth portion of projects.
Pirongia	\$17,889	\$4,621	<p><u>Roading:</u></p> <ul style="list-style-type: none"> It is no longer practical to identify specific growth capacity within the existing network. Removal of district-wide historical projects- now catchment based <p><u>Water:</u></p> <ul style="list-style-type: none"> It is no longer practical to identify specific growth capacity within the existing network. Council's recent increased knowledge of the water supply system and improvement costs. <p><u>Stormwater:</u></p> <ul style="list-style-type: none"> Removal of district-wide historical projects. <p><u>Community Infrastructure:</u></p> <ul style="list-style-type: none"> A number of district-wide historical projects have been removed from the schedule as they are more appropriately funded by rates. It is no longer practical to identify specific growth capacity within the existing network. Review and consequent reduction in the growth portion of projects. <p><u>Parks & Reserves:</u></p> <ul style="list-style-type: none"> Removal of district-wide historical projects Review and consequent reduction in the growth portion of projects.
Picquet Hill	\$29,987	\$14,854	<p><u>Roading:</u></p> <ul style="list-style-type: none"> It is no longer practical to identify specific growth capacity within the existing network. Removal of district-wide historical projects-now catchment based.
Bond Road	-	\$12,729	<ul style="list-style-type: none"> New catchment requiring significant growth works to service greenfields development.
Cambridge/ Karapiro	\$24,193	\$13,672	<p><u>Roading:</u></p> <ul style="list-style-type: none"> It is no longer practical to identify specific growth capacity within the existing network. Therefore, these costs have not been included in the DCP. Removal of district-wide historical projects- now catchment based <p><u>Water:</u></p> <ul style="list-style-type: none"> New works are required driven by growth in Cambridge. Council's recent increased knowledge of the water supply system and improvement costs. <p><u>Wastewater:</u></p> <ul style="list-style-type: none"> Council's recent increased knowledge of the wastewater system and improvement costs. Reticulation capacity works required by growth

Catchment	2012 fee	Proposed 2015 fee	Reasons for change
			<p><u>Community Infrastructure:</u></p> <ul style="list-style-type: none"> ▪ A number of district-wide historical projects have been removed from the schedule as they are more appropriately funded by rates. ▪ Review and consequent reduction in the growth portion of projects. <p><u>Parks & Reserves:</u></p> <ul style="list-style-type: none"> ▪ Removal of district-wide historical projects. ▪ Review and consequent reduction in the growth portion of projects.
Cambridge North	\$39,662	\$44,789	<p><u>Roading:</u></p> <ul style="list-style-type: none"> ▪ It is no longer practical to identify specific growth capacity within the existing network. ▪ Removal of district-wide historical projects-now catchment based, with significant works in Cambridge North. <p><u>Water Supply:</u></p> <ul style="list-style-type: none"> ▪ Council's recent increased knowledge of the water supply system and improvement costs. ▪ Identification of specific Cambridge North reticulation works. <p><u>Wastewater:</u></p> <ul style="list-style-type: none"> ▪ Council's recent increased knowledge of the wastewater system and improvement costs. ▪ Identification of specific Cambridge North reticulation works. <p><u>Stormwater:</u></p> <ul style="list-style-type: none"> ▪ Council's recent increased knowledge of the stormwater water system and improvement costs. ▪ Identification of specific Cambridge North reticulation works. <p><u>Community Infrastructure:</u></p> <ul style="list-style-type: none"> ▪ A number of district-wide historical projects have been removed from the schedule as they are more appropriately funded by rates. ▪ Review and consequent reduction in the growth portion of projects. <p><u>Parks & Reserves:</u></p> <ul style="list-style-type: none"> ▪ Removal of district-wide historical projects. ▪ Review and consequent reduction in the growth portion of projects.
Rural	\$13,866	\$736	<p><u>Roading:</u></p> <ul style="list-style-type: none"> ▪ It is no longer practical to identify specific growth capacity within the existing network. Therefore, these costs have not been included in the DCP. ▪ Removal of district-wide historical projects- now catchment based. <p><u>Community Infrastructure:</u></p> <ul style="list-style-type: none"> ▪ A number of district-wide historical projects have been removed from the schedule as they are more appropriately funded by rates. ▪ Review and consequent reduction in the growth portion of projects. <p><u>Parks & Reserves:</u></p> <ul style="list-style-type: none"> ▪ Removal of district-wide historical projects. ▪ Review and consequent reduction in the growth portion of projects.