



Methodology for the Development Contribution Policy 2021

(incorporating a review and analysis of options)

June 2021

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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 required a specific set of issues to be addressed in the DCP by 1 December 2014¹. Council reviewed and consulted on its entire DCP in 2015 to give effect to these provisions.
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 business cases².
6. This paper reflects recent changes to the LGA to broaden the definition of community infrastructure and takes into account the National Policy Statement - Urban Development 2020 requirements, particularly around carparking provisions.
7. The review of the 2021-2031 Long Term Plan (LTP) has meant the fees schedule to the DCP has been updated since the 2018-2028 LTP. The DCP includes in Appendix 3 a schedule of assets for which DCs will be used, summarised by catchment.
8. 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	
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 activity or group of	Refer to the DC model (available from Council on request), and the DCP (in particular the Schedule

¹ Related to sections 197AA and 197AB –purpose and principles and s197 –definition of community infrastructure.

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

Schedule 13 requirements	Comment
activities, to meet increased demand resulting from growth within the district, or part of the district, as the case may be; and	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 94-136 (Policy options) of this paper.

Key stakeholders in the DCP

9. 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.
10. For those undertaking development (i.e., 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 these factors contribute to the overall price of the finished development.
11. 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 affordability and the availability of core infrastructure provided in a timely manner – not too early and not late.
12. 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.

13. 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.
14. Growth projections and capital spending for growth must be closely aligned and monitored to ensure infrastructure is provided only where and when it is required – the Waipā 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.
15. 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 Waipā District Growth Strategy 2050, and the Future Proof Growth Strategy³. In addition, Council’s capital infrastructure spend in its LTP has been programmed having regard to Council’s growth sequencing and staging aspirations and affordability.
16. 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 to manage this risk.
17. 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.
18. The Council anticipates that some contributions will be paid by new residents and businesses coming to Waipā and locating in new premises. The District Plan forecasts growth across Waipā and shows where, when and what types of development are required 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 detailing supporting documents of the Policy.

METHODOLOGY

Decision to require development contributions

19. 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.
20. 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 if these were appealed to the Environment Court.
21. Notwithstanding that decision, it is noted that Council’s District Plan (DP) provides the opportunity for FCs to be levied (refer to section 18 of the DP), 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 LTP under the LGA.
 - To provide a mechanism to mitigate adverse effects of development and subdivision on the environment.
22. 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	<p>No Council implementation costs.</p> <p>No cost to developers.</p>	<p>Only one regime to administer.</p> <p>Certainty for customer.</p> <p>Potential number of appeals to Environment Court minimised.</p> <p>Greater consistency with neighbouring councils</p>	<p>Only one regime to administer.</p> <p>Certainty for customers.</p>	<p>Both DCs and FCs can be applied where relevant.</p> <p>FCs can be used where development relates to capital expenditure that is not provided for in the LTP.</p>
Costs	<p>Ratepayers fully fund all public infrastructure (non private).</p>	<p>Not able to be applied to development where capital expenditure is outside the scope of LTP.</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>Potential confusion of running both systems.</p>

⁴ i.e. ‘growth pays for growth’.

Analysis	Options			
	No DCP and no FCs	DCP only	FCs only	Both DCP and FCs
		Specific environmental effects not able to be addressed (e.g., Heavy Vehicle Impact Fee (HVIF)).	Lengthy process to establish - of a significantly slower pace than the pace of changes to capex expectations at each LTP.	
Community outcomes	<p>This option does not promote or achieve the outcome 'economically progressive', 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 shift the true cost of development to the developer.</p> <p>This option does not promote infill and better utilisation of existing assets.</p> <p>This option would be considered 'business friendly' by developers.</p>	<p>This option promotes the outcome 'economically progressive' by ensuring that ratepayers are not funding the growth related cost of capital expenditure.</p>	<p>This option partially promotes the outcome 'economically progressive' by ensuring that some infrastructure costs can be recovered from developers.</p>	<p>This option promotes the outcome 'economically progressive' by ensuring that ratepayers are not funding the growth related cost of capital expenditure; and by ensuring that specific effects based impacts of development (e.g., 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 the same purpose (s200(1)(a) of the LGA)).</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 to provide infrastructure services (e.g., 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).</p>	<p>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.</p>	<p>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.</p> <p>Equitable fees assist the affordability of projects.</p>	<p>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.</p> <p>Equitable fees assist the affordability of projects.</p>

23. It is considered that none of these options directly involve a significant decision (as defined in section 77 of the LGA) 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.
24. 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 to enable developers to mitigate adverse environment effect from their development with expenditure that is not contained in the LTP. It is noted that a DC or FC cannot be charged for the same effect.

Population and HEU growth assumptions

25. 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.
26. 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.
27. For the LTP 2021, 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	%
2021	54,954	6,274	12.9%	22022	3,855	21.22%
2031	64,217	9,263	16.86%	27325	5,303	24.08%
2061	74864	10,647	16.58%	33,435	6,110	22.36%

Source: Adapted from NIDEA report

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

28. 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.
29. 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 (calculation explained below) has been applied.
30. HEUs for cost recovery for LTP funded growth cells (e.g., Cambridge North, Picquet Hill) have been based on the estimated projected lot yields within those catchments.

Residential growth assumptions

31. Residential growth assumptions are based on the 2013 Census New Zealand data which provides a household occupancy within Waipā District of 2.58 persons per household. This has been calculated as follows:

$$\begin{aligned} & \text{2013 census population} / \text{2013 census number of households} \\ & 46,400 / 17,995 = 2.58 \end{aligned}$$

32. This has been compared to the more recent 2018 census population and household data which provides a comparable figure of 2.56⁶. It is also worth noting that the projections for the LTP 2021 is based on 2013 census data due to the timing of release of information from census 2018.
33. It is considered that it is reasonable to continue to use 2.58 persons/household as the average persons per Housing Equivalent Unit (HEU) in the DCP. It is noted that the previous figure, used in 2012, was 2.71 persons per HEU.
34. Catchment growth capacity for specific growth cells has been derived from Waipā 2050 and Appendix S1 (Growth cells and timing) of the DP. For non-growth cell catchments, the growth capacity has been based on the projected labour force population rate for that catchment.

Non-residential growth assumptions

35. Non-residential growth assumptions are based on the Waipā District Business Land Study ⁷ (May 2017) prepared by Property Economics with input from Council.
36. 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 650m² 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.
37. Council's view is that significant additional greenfield non-residential land areas will be required over the coming 10 years. There are greenfield non-residential land areas planned for Hautapu west and east,

⁶ As per the 2018 census: Population = 53,241. Number of households = 20,835 (19,581 occupied and 1,254 unoccupied)

⁷ Refer to Appendix 1 of the DCP.

plus Bond Road. These areas are in addition to the land already zoned but in the case of Hautapu, will now be fully serviced. Waikato Regional Airport Ltd (WRAL) is in the process of planning to develop more industrial land around the airport as it has sold most of its existing stock. This new growth cell is planned to have a private wastewater system but public water supply. The water supply is via a Development Agreement with WRAL and so water supply and wastewater DC's are not charged. 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 1,256 HEUs over the 10 year period 2021-2031.

Requiring development contributions for activities

38. 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) Roading and transport
 - b) Water
 - c) Wastewater
 - d) Stormwater
 - e) Community infrastructure
 - f) Parks and reserves
39. An analysis of the various reasonably practicable options for funding these activities is discussed in the table below. The analysis shows that generally, 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. The discussion and reasons remain valid, and therefore FCs have 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 ⁸
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.

⁸ 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 ⁸
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 Waipā.	Administratively inefficient. Creates more opportunities for errors to occur (e.g., ROWs with one vehicle crossing and many dwellings). Shifts the burden of development contributions from initial developers to builder/dwelling owners. Would not be able to recover all growth costs associated with stormwater, as some developments do not physically connect to stormwater infrastructure.
Community outcomes	<p>This option does not promote or achieve the outcome 'economically progressive', 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 Waipā as a great place to do business.</p> <p>This option does not promote the sustainable use of community infrastructure.</p>	This option promotes the outcome 'economically progressive' by ensuring that a fair share of infrastructure costs can be recovered from developers.	This option promotes the outcome 'economically progressive' by ensuring that a fair share of infrastructure costs can be recovered from developers.
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 in providing infrastructure services. If the community is required to fully fund all infrastructure, then	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.	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.

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 ⁸
	Council could be required to delay or not undertake other works. This would in turn affect levels of service (LOS) for the community.		<u>Stormwater only:</u> This option will have the same effect as option 1, as the community would be required to fully fund all (public) stormwater infrastructures as in some cases there is no physical connection to the infrastructure.
Considerations pursuant to s101(3)⁹ 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

40. While the analysis above applies generally to most activities, there are additional considerations for the community infrastructure and parks and reserves activities, as follows:

a) Parks and reserves:

- i. Amendments to the LGA in 2014 prevented Councils from requiring contributions from non-residential developments for parks and reserves. Therefore, Council was unable to recover the growth share of this activity from non-residential developers under the option 'fund via DCP'. Amendments to the LGA in 2019 have since removed this limitation, however Council has continued with its long standing approach of not requiring non-residential developments to pay DCs for community infrastructure or parks and reserves, except in the defined catchments of C8/C9/C10 (Hautapu). This is because the thinking around the design of new industrial areas has changed. These catchments represent

⁹ 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 other 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.

significant new industrial land capacity for the District. There is an expectation, as set out in the structure plan for these areas, that reserves should be provided within new industrial land areas for the wellbeing of staff and improved industrial amenity.

- 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. Council would need to undertake a variation to amend the DP to provide for reserve contributions.
 - Council considered FCs as part of the DP development 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 less certain and secure as a funding stream for Council as they must be solely for a resource management purpose and reasonably relate to the development seeking consent.

b) Community infrastructure:

- i. 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 option 2 (fund via DCP), as the services are still required.

41. To summarise, options for Council to fund the growth capital costs for community facilities¹⁰ 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.

42. 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 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).

¹⁰ As defined in section 197(2) of the LGA.

43. 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

44. 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, and 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.”

45. 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.
46. As the LGA requires catchments to relate to the area of benefit, in most cases the activity service or supply area¹¹ 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.
47. The other catchment options considered for each activity are district wide, ward based, town boundary¹², or service areas. An assessment of the merits of each approach is discussed below.

Roading and transport

48. 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 -‘Economically progressive’	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

¹¹ ‘Service or supply areas’ refers to the area serviced by Council infrastructure. For example, a water supply area, or a wastewater service area. It is noted that in many cases these areas correspond with land use growth cells.

¹² Based on the DP urban limits.

Catchment type	Compliance with LGA				
	Community outcomes -'Economically progressive'	Capacity to meet present/future needs, statutory responsibilities	s101(3)	s197AB(c)	S197AB(g)
Service area	Strong	Strong	Strong	Very strong	Very strong

49. 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.
50. 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.
51. 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. Where there is a district-wide benefit derived from a specific project, the project can be applied across all the service area catchments.

Water supply and wastewater

52. 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 -'Economically progressive'	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

53. 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.
54. Therefore, these catchments will be based around the infrastructure supply areas receiving the benefits. In terms of the growth cells (e.g., 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.

55. Having regard to the above analysis, these activities have been allocated catchments based on the service areas.

Stormwater

56. 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 - 'Economically progressive'	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

57. Stormwater in Waipā District is managed in accordance with the 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, and the villages of Kihikihi, Ohaupo, Pirongia, and Karapiro.
58. As these stormwater management plans do not relate to the entire district or the wards, catchments allocated on this basis are not considered equitable.
59. For this analysis, the 'service area' is 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 topography¹³) than the areas Council is primarily concerned about for the purpose of DCs¹⁴. It is also noted that the stormwater growth capital projects are linked to urbanisation.
60. 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.

Community infrastructure, parks and reserves

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

¹³ 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.

¹⁴ These are the existing and growth urban areas of the towns and villages.

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

Catchment type	Compliance with LGA				
	Community outcomes - 'Economically progressive'	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

62. For the reasons identified above for water and wastewater, ward based catchments and town boundary catchments are not considered appropriate.
63. Due to the nature of community infrastructure and parks and reserves projects, 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 Waipā 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.
64. Having regard to these matters, where there is a very clearly defined local area of benefit, for example for a local park or playground, it is considered that there is a rational basis to use a service area catchment for these activities. However in all other cases where activities could provide benefits to developments across the District, these activities have been allocated a single district wide catchment. This approach is considered to best balance practical and administrative efficiencies with fairness and equity.

Cost of capital (interest costs)

65. The total cost of capital expenditure (on which development contribution charges are based) includes the cost of capital. Cost of capital is the interest paid on loans that are used as an interim funding mechanism when expenditure occurs before the full amount of development contribution revenue is received. In 2018 Council decided to include the cost of capital (interest) in the DCP, as this was fairer to ratepayers.
66. No compensation of Council for taking the risk of building infrastructure in advance of demand, is included in growth cost calculations, and interest is added to the Development Contribution loans. These risks would be met by rates.

Inflation, PPI and GST

67. All costs from projects in the Long Term Plan used in the DCP are based on current estimates of infrastructure construction prices in 2020 dollar terms and then inflated using inflation rates as set out in the LTP.

68. As provided for by section 106(2C) of the LGA, development contributions may be amended annually. The inflation rates used are drawn from work specifically prepared for Local Government by BERL. . This will enable Council's DC fees to maintain their real value in the face of the inflating cost of capital projects.
69. All financial information is exclusive of GST in the DCP unless otherwise stated, such as the fee summary which are GST inclusive.

Methodology for growth infrastructure

70. All growth infrastructure in the DCP is either included in the 2021-31 LTP with the intention that it will be built during the ten years to 2031 or has been built previously (historical capital expenditure) with capacity to service growth.
71. The growth HEUs and development may not have been completed by 2031 however, and this is recognised in the distribution of the costs to HEU's beyond the ten years of the LTP.
72. 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 the new capacity is available. In either case a development contribution fee remains payable.
73. The different approaches used for apportioning costs to growth in relation to plants and headworks, greenfields (i.e., Cambridge North), and local reticulation works are as follows:
- (a) Plants and headworks – These are Treatment Plants for wastewater and water, reservoirs, and the trunk 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 component¹⁵. 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 programme 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.

¹⁵ Only the growth portion of a project is used in the DC calculation.

74. Growth assumptions using Council's Growth Strategy (Waipā 2050) have been explicitly considered by Council's Asset Managers when specifying and ultimately costing all new assets.
75. 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.
76. 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

77. 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.
78. Historic capital expenditure includes expenditure that has been made prior to the 2021 LTP, and where projects will require further expenditure for completion during the 2021-31 LTP timeframe (e.g., partially completed projects).
79. 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 (2009, 2012, 2015, or 2018); and
 - b) Completed projects that continue to provide network capacity for growth.
80. Growth HEU predictions for historical capital expenditure have been reviewed to ensure the capacity calculations remain valid.
81. 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.
82. This approach means that assets, such as treatment plants, community infrastructural assets, and network roading arterial assets, represent historical capital expenditure that should be recognised.
83. 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).
84. At the commencement of the next LTP period, currently forecast projects in years 1-3 are planned to have been completed.

Development contribution model

85. 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.

86. This initial categorisation and individual project and programme information inform the development contributions methodology but are not the sole basis for cost allocation.
87. 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 to ensure compliance with legislation.

HEU assumptions

88. As discussed above, based on analysis of the 2013 and 2018 Census New Zealand data, the household occupancy in Waipā District is assessed as 2.58 persons per household. This has been used as the basis for the number of persons per household per HEU.
89. In the Waka Kotahi 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 simplicity¹⁶, Council will continue to adopt an HEU demand of 10 vehicle movements per day (VMPD).
90. Water average consumptions per HEU is based on Waipā District Council's 2012, 2013 & 2014 Water Demand Management Plans which calculated the annual average daily per person use. The recently prepared Waipā District Council Three Waters Master Plan 2020 states that whilst water metering has since been introduced, Council has only one year of data available which is not sufficient to forecast a change in water use, although Council anticipates it will show a decrease. This coupled with no recent and accurate population figures, means that no change in water use per household for DC purposes is being made, however this will be reviewed again in 3 years' time.
91. The management plans for Te Awamutu, Cambridge, and Kihikihi had annual average daily per person usage of 237, 245 and 237 litres respectively. For the DCP, these have been averaged across the district as follows:

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

¹⁶ In terms of calculations and conversion factors in particular.

92. 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 wastewater¹⁷. For the DCP, this is calculated as follows: 435 litres/HEU (70% of 622).

Reserves

93. 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.
94. Using subdivision in Cambridge North as an example¹⁸, it is assumed that an allotment would have an average sale price of \$370,000 - \$390,000 (incl. GST). The reserve contribution (Reserves and Ci) per HEU in Cambridge North is \$6,405 (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
\$370,000	\$27,750	The reserve contribution per HEU is 1.7% of \$370,000. So much less than 7.5%
\$390,000	\$29,250	The reserve contribution per HEU is 1.6% of \$390,000. So much less than 7.5%

¹⁷ i.e. Waikato District Council and Hamilton City Council use 70%, Watercare use 78.5%.

Waipā¹⁹ It is noted that this issue may be minimised marginally if the HEU rate is significantly lower.

POLICY OPTIONS

Options for dwellings

95. 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. Some developers continue to design dwellings and label floor plans to avoid the payment of DCs¹⁹. 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.
96. 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?²⁰; and
 - (e) What is a ‘minor dwelling’²¹.
97. In order to inform this analysis, a review of how some other Councils in NZ assess dwellings in their DCPs has been undertaken, including Waikato District Council, Hamilton City Council, Christchurch City and Auckland Council as examples of Councils, several also located within the Hamilton to Auckland corridor, to better understand options used to assess dwellings.
98. The analysis showed a range of methods were used by Councils in relation to dwellings. Some Council’s provided a reduced charge for minor dwellings under a specified GFA, while others provided a sliding scale based on the GFA (i.e., if the GFA = 80m², the DC is 0.8 HEU per unit). 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 increase for less dense, ‘sprawl’ type development, as opposed to centres based on medium/high density development²².
99. It is noted that residential development in Waipā District comprises predominately low-density detached dwellings, whether within the towns, or within rural areas.
100. Each of the options are discussed below, followed by further analysis on how the options meet the requirements of the LGA.

¹⁹ It is noted that this issue may be minimised marginally if the HEU rate is significantly lower.

²⁰ Noting that some new dwellings now include kitchenettes in guest bedrooms.

²¹ In the 2018 DCP, a minor dwelling is any dwelling less than 70m² GFA, excluding garaging.

²² 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.

Density based approach

101. As discussed above, Waipā District is predominately comprised of low-density detached dwellings, with limited areas of medium density dwellings. Because Waipā 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 Waipā's DCP to differentiate dwelling HEUs using dwelling density. This may however be appropriate under a Development Agreement, where a higher occupancy occurs.

Gross floor area based approach

102. In terms of the GFA of dwellings, it is noted that several Councils currently use a sliding scale of contributions depending on the GFA of the dwelling. For example, Christchurch City Council applies 1 HEU per residential lot. For small residential units with a GFA less than 100m², an adjustment is applied on a sliding scale from 100% to 60%. For example, a unit with GFA of 80m² reduces the HEU assessment to 0.8 HEU.

103. The concern with this approach is that it is difficult to relate the GFA of a dwelling to demand on Council's infrastructure 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.

104. 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

105. Another option, used for example by Hamilton City, is to base demand on the number of bedrooms that a dwelling has. In theory, the more bedrooms a dwelling has, the more people will live in a dwelling, and the greater the level of demand on infrastructure. However, this approach also has limitations as Council cannot be sure that more bedrooms will automatically equal more occupants (e.g., some large dwellings only have two occupants).

106. 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 within Waipā.

107. 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 - 'Economically progressive'	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

108. In conclusion, Council considers that levying 1 HEU per dwelling, subject to specific considerations for minor household units and retirement villages/units is fair and equitable, and appropriately balances practical and administrative efficiencies with fairness and equity.

Retirement villages /units

109. It is widely accepted that retirement villages / aged care rooms are charged at a different HEU rate than a standard 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 conclude that retirement village occupants do not regularly use or appreciate the amenity value of reserves).

110. Different Councils use different rates for retirement villages. Auckland Council for example in their DCP have determined that retirement village units generate demand of 1 HEU for 292m² ISA²³, 0.3 HUE per unit for transport and 0.1 per unit for all other infrastructure. Tauranga and Dunedin City Council’s use low demand dwellings, and so if the retirement unit had one bedroom it would be considered to generate demand of 0.5 HEU.

111. For the reasons identified above, Council considers that retirement village²⁴ 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. This aligns with the rate discussed below for minor household units.

²³ ISA: Impervious surface areas

²⁴ subject to complying with the definition under the Retirement Villages Act 2003

Minor household units

112. 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 former District Plan GFA size limit for 'dependant relatives' dwellings'²⁵.
113. Rules related to dependant relatives' dwellings in Council's former DP have since been superseded by Council's DP, 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 DP²⁶, it is appropriate to support this in the DCP by allowing a 0.5 HEU rate for dwellings of 70m² or less.
114. Therefore, the DCP makes provision for MHUs at 70m² excluding garages.

Non-residential development

115. 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 Waipā District.
116. Council is cognisant of the need to carefully balance its aspirations to have strong economic growth in Waipā 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 nor non-residential developers are required to fund a unequitable portion of these growth related costs.
117. 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 considered 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.
118. With this in mind, Council has determined that only brownfield 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 brownfield non-residential developments is considered to balance most appropriately the need to recover some contributions from these developers with considerations of fairness and equity.
119. All greenfield non-residential developments will be required to pay 1 HEU per new lot, with a further assessment at Building Consent/Land Use consent stage. This may result in additional DC's being payable.
120. The brownfield non-residential 'trigger' thresholds are as follows:

²⁵ 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.

²⁶ In recognition of Council's projected aging population and changing community needs.

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.

121. In terms of roading and transport, the threshold has been set at 100 vehicle movements per day (VMPD). This threshold relates to the requirement for an Integrated Transportation Assessment (ITA) in Section 16 of the District Plan for activities that generate more the 100 VMPD. While the rules make some distinctions between collector roads and local roads²⁷, 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. 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.
122. 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.
123. 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

124. The LGA codifies 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.
125. Due to the unique characteristics of Cambridge North and Cambridge West, 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).

²⁷ For example, a resource consent for a TIA would not be required for 100-249 VMPD for collector/local roads.

Betterment and injurious affection

126. As set out in the DCP, the estimated cost of the land is recognised in the DC model and calculations. No potential betterment or injurious affection is included in the current DC modelling. These estimates, along with construction estimates are replaced each year by actuals in the DC model.
127. To provide certainty to both developers and Council the approach agreed for the 2021 DCP is:
- a) A Development Agreement will become a means to provide a payment offset equal to the betterment value. This would then be recovered by DC's, or
 - b) In the case of new growth cells that do not have a structure plan adopted by Council at the commencement of this policy, on 1 July 2021, Council will only pay developers for the additional costs of upgrading from a local road standard to a collector road standard.
128. This approach provides more certainty for developers and for Council and enables Council to recover positive benefits resulting from public works investment.

Timing of development contribution payments

129. As previously discussed in this paper, Council is aware of the funding realities facing developers, particularly for significant developments²⁸. 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 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.
130. 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 can 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.
131. 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.

National Policy Statement – Urban Development

132. Previously Council was able to take cash in lieu for failing to meet minimum car parking requirements in the District Plan. When the National Policy Statement Urban Development came into effect in 2020 it removed the ability to apply minimum car parking rules through the District Plan and consequently the ability of Council to require cash in lieu for failing to meet minimum car parking rules. As a result, the growth component of the shortfall in carpark funds has been apportioned to DCs in the towns with public off-street carparking.

²⁸ A significant development is considered to be a subdivision of ≥ 10 lots, or ≥ 10 additional dwellings on a single title.

Rainwater tanks

133. In considering options for DCs, Council has considered whether DCs for water or stormwater should be reduced if private rainwater tanks were 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.
134. 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.
135. 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 can 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.
136. Rainwater tanks which are installed for non-potable use 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.
137. 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 can be managed and enforced, Council may consider remitting DCs for rainwater tanks as part of a development agreement.