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## Appendix 2: Funding of the upgrade of the Eastern Selwyn Sewerage Scheme

### 1. Summary

- 1.1 The upgrade of the Eastern Selwyn Sewerage Scheme (ESSS) is required to cater for population growth in the eastern part of the district and the corresponding increased demand for wastewater connections and services. The estimated net present value (NPV) of the capital cost of the ESSS upgrade (constructed to meet capacity requirements up to 2041) is \$89.2m.
- 1.2 The Council revisited its approach to funding the ESSS in response to submissions on the Council's 2012 – 2022 Long Term Plan and following further consultation on a Statement of Proposal included in its 2014-15 Draft Annual Plan has determined a revised approach to funding the scheme.
- 1.3 In developing its statement of proposal, the Council considered the funding sources potentially available to meet the capital cost of the ESSS upgrade. Following an assessment carried out in accordance with the requirements of the Local Government Act, it proposed that the growth community (the residential, commercial and industrial connections that will use the additional wastewater capacity created by the ESSS) would contribute 94% of the capital cost of the scheme and that the existing connected ratepayers would contribute 6%. The proposal was that the existing connected ratepayers share would be funded from asset sales, existing reserves and targeted rates and that the growth community share was to be funded predominantly from a development contribution charge. The proposed development contribution charge was lower than the charge that has been in place since December 2011.
- 1.4 The Council received 13 submissions on its proposal. Eleven of these submissions were opposed to the proposed reduction in the development contribution charge and/or the proposed contribution to the cost of the scheme from existing ratepayers. One submission was opposed to the proposed approach to funding the existing ratepayer share. One submission from a group of developers challenged both the allocation of costs between the existing connected ratepayers and the growth community as well as a number of assumptions used to calculate the proposed development contribution charge.
- 1.5 All of the submissions were considered by the Council during the consultation process and its final approach to funding the scheme reflects its deliberations on the matters raised. After reconsidering its assessment of the allocation of costs, the Council decided to proceed with its proposed 94%/6% allocation between the growth community and existing connected ratepayers. And after taking further advice from its staff and professional advisers, it revised some of the assumptions used to calculate the development contribution charge; in particular recognising that population growth is likely to be greater than previously forecast.
- 1.6 The new development contribution charge for the ESSS is \$10,361 (including GST). The Council will refund the difference between this amount and any higher amounts paid by developers since December 2011, plus interest at 4%pa since the date the payment was received.

### 2. Background

- 2.1 The Council has constructed the Eastern Selwyn Sewerage Scheme (ESSS) to cater for population growth in the district. It provides for the treatment of wastewater in the townships of Lincoln, Prebbleton, Rolleston, Springston and West Melton. The scheme costs include:
  - the purchase of additional land for the treatment site
  - the construction of the wastewater treatment plant
  - the construction of pipelines, pump stations and associated works.
- 2.2 The new scheme has made use of existing treatment infrastructure and connects into the existing local pipe networks. It is the culmination of a project that has been underway for a number of years and follows from a decision made in 2007 that the land

based disposal used by the scheme was the most feasible option for meeting the need for additional wastewater capacity in the eastern part of the district.

- 2.3 Although designed to meet the needs of a growing population, the scheme also serves the existing population. The scheme is designed to be developed in stages, with stage 1 serving a population equivalent of 30,000 people and stage 2 increasing this to 45,000 people. Further expansion will be possible.
- 2.4 As the scheme is required to allow for population growth, and the existing population was already served by adequate arrangements for the treatment and disposal of wastewater, the Council developed an initial funding plan for the scheme based on the assumption that all the costs would be funded by development contributions to be paid by land developers. A development contribution charge of \$10,097 (including GST) was introduced for the scheme and applied to sub-division applications between July 2009 and December 2011.
- 2.5 Construction costs estimates for the scheme were revised upwards in 2011 and, following a consultation process, the Council increased the development contribution charge to \$14,368 (including GST) from December 2011. Some land developers challenged this increase and requested that the Council review the calculation of the charge. The Council agreed to do this and prepared a Statement of Proposal for inclusion in the 2014-15 Draft Annual Plan.
- 2.6 The proposal was that the growth community (the residential, commercial and industrial connections that will use the additional wastewater capacity created by the ESSS) would contribute 94% of the capital cost of the scheme and that the existing connected ratepayers would contribute 6%. This allocation was based on a methodology developed by the Council's economic advisers, that provided a range of cost allocations between the existing and growth communities based on the level of financial benefit each group gains from the scheme. This range was determined by considering:
- the extent to which the scheme will reduce the costs of providing a wastewater treatment and disposal service to the existing community compared with existing arrangements
  - the extent to which the scheme will reduce the cost of constructing and operating wastewater treatment and disposal systems to meet the needs of the growth community (if such systems were built to meet the needs of the growth community alone, without also serving the existing population).
- 2.7 The proposed allocation of costs from within the range was then determined by considering, amongst other things:
- the distribution of benefits between the existing community and the growth community
  - the period over which the benefits occur
  - the actions that caused the need to construct the scheme
  - the overall impact of its decision on the community.
- 2.8 The model indicated that both the existing population and growth community benefit from the construction of the ESSS. This is because the cost of constructing and operating the ESSS over the period to 2041 is lower than the cost of each group using their alternative arrangements (that is compared with the existing population using their existing arrangements and the growth community being served by separate systems).
- 2.9 If the existing community did not contribute anything to the construction of the ESSS it would make financial savings estimated at \$16.5 million over the period to 2041. If the existing community made a contribution to the construction of the ESSS equal to these savings (meaning the existing population did not benefit at all), the growth community would make a similar saving of \$16.5 million over the period to 2041. Neither of these positions seemed fair and the Council proposed to allocate costs between the existing community and growth community based on its broader assessment of how the scheme should be funded. It determined that the cost allocation should be calculated by allocating two thirds of the financial savings to the existing community and one third to the growth community. This reflects that both communities benefit from the scheme but that it is the actions of the growth community (in wanting to develop in the area) that have caused the scheme to

be constructed and as a consequence the existing community has taken on financial risks associated with the scheme that it would not otherwise have faced.

- 2.10 Based on the assessment, the Council proposed that existing community will contribute \$5.5 million to the construction of the ESSS (6.4% of the net present value of the construction cost) and the balance of \$80.8 million (93.6%) should be met by the growth community.
- 2.11 The growth community includes a large industrial user, Westland Milk, and this user will fund a proportionate share of the capital cost of the ESSS based on a calculation of the population equivalent of the amount of wastewater it generates.

### 3. Submissions

- 3.1 The Council received 13 submissions on its proposal. Eleven of these submissions were opposed to the proposed reduction in the development contribution charges and/or the proposed contribution to the cost of the scheme from existing ratepayers. One submission was opposed to the proposed approach to funding the existing ratepayer share. One proposal from a group of developers challenged both the allocation of costs between the existing connected ratepayers and the growth community as well as a number of assumptions used to calculate the proposed development contribution charge. A summary of the matters raised by submitters and the Council's response is set out in the table below.

Matter raised	Council response
Existing connected ratepayers should not be required to contribute to the ESSS.	The proposal to allocate 6% of the cost of ESSS to be funded by existing connected ratepayers reflected the economic modelling completed by the Council's professional advisers that indicated that existing connected ratepayers will benefit from the ESSS in the form of lower average running costs over the coming years compared with pre-existing arrangements. As such, the cost allocated to existing ratepayers does not represent an additional cost over and above pre-existing costs, but rather a contribution towards the benefits that will be received from the scheme. The benefits will exceed the cost allocation so the Council is satisfied that a contribution from existing ratepayers is appropriate.
The proposed approach to funding the existing connected ratepayers share is not appropriate. The costs should be funded either by the District Council as a whole or equally by the connected communities, and specifically that the sale of the Helpet land should not be used to fund this share.	The Statement of Proposal included an allocation of costs to existing connected ratepayers on the basis that they will receive benefit from the ESSS in the form of lower future operating costs. The Helpet land is land that is surplus to requirements now that the existing community is connected to the ESSS. If the sale of the land is not used to help fund the cost allocated to existing connected ratepayers alternative sources of funds will need to be identified. The Council has not finally resolved the funding of the existing connected ratepayers share.
The financial benefits of the scheme should be split equally between existing connected ratepayers and the growth community.	The Council has reassessed its allocation of benefits in the light of the matters raised by submitters and taking account of the considerations set out in the Local Government Act, including the <ul style="list-style-type: none"> <li>• distribution of benefits between the existing community and the growth community</li> <li>• period over which the benefits occur</li> <li>• actions that caused the need to construct the scheme</li> <li>• overall impact of its decision on the community.</li> </ul> (The Council's assessment of each of these considerations is included in the amended Development Contributions Policy.) Following the assessment the Council has confirmed its allocation of costs based on two thirds of the financial benefits being allocated to existing connected ratepayers and one third to the growth community. This split recognises the financial risk (negative benefit) being taken on by the existing connected ratepayers as a consequence of the construction of the scheme. This risk is the risk that lower than forecast growth in the future will mean that additional costs will need to be funded by connected ratepayers.
The economic model for calculating the development contribution charge should include 'opening revenue' – that is the balances held within the capital accounts of the pre-existing schemes.	These balances are to be used to fund growth related reticulation upgrades. If the amounts were to be used to fund the ESSS the Council would need to impose a new development contribution charge for the growth related reticulation upgrades. The impact on the growth community would be similar for either approach (the funds can only be used once).

The additional \$2 million included in the economic model as an 'allowance for capacity purchases for future development' should be excluded from the model.	The additional \$2 million relates to a contribution to public mains that need to be installed to connect growth areas to the ESSS. These costs were not anticipated at the time of the initial ESSS estimates. The change proposed by the submitter would have reduced the development contribution charge by a small amount and the Council has decided to retain this anticipated cost in the economic model.
The population growth assumption included in the economic model is too low (the submitter provided an alternative forecast showing a higher level of population growth).	The growth assumption in the ESSS economic model is one of the key determinants of the development contribution charge. More rapid growth means costs can be recovered more quickly and this reduces the financing costs of the scheme – i.e. more rapid growth reduces the costs for everyone as the financing costs of the scheme are lower. The model used to support the Statement of Proposal retained the 2041 population total that the Council adopted as part of its 2012-22 Long Term Plan. These figures are within the range of forecasts produced by Statistics New Zealand. In practice population growth in the early years of the forecasts has been much faster than anticipated and the growth assumption in the economic model was adjusted to reflect this recent growth. The model included actual revenue to June 2013 plus increased forecasts to June 2016, but the forecasts for future years were adjusted downwards so that the total by 2041 was as had been previously forecast. The submitter questioned this downward adjustment. In the light of the additional information provided by the submitter the Council has reviewed its population growth assumption based on the most recent information available and has increased the level of growth in the economic model. The impact of the change is to reduce the development contribution charge by \$1,575 (including GST).
The industrial growth assumption included in the economic model is too low (the submitter provided an alternative forecast showing a higher level of industrial growth).	The economic model allows for Stage 7 of the Izone development, but does not assume any further development of industrial land. The submitter referred to a developer's plans to develop 122 ha of industrial land (equal to 854 HUE). This has not been included in the economic model to date as the possible development may not proceed. If the charge is set at a lower rate in anticipation of this development, but it does not proceed, the Council may not be able to recover the undercharge in the future. As the assumption is binary in nature (it is either in or out) the economic model reflects the prudent approach of leaving it out at this time.
The Household Unit Equivalents allowed in the economic model for a large industrial user is too low.	If the Household Unit Equivalent number for the industrial plant was increased from the amount allowed, the amount payable by the industrial user would increase and the development contribution charge would reduce. However, the Household Unit Equivalent number allowed is based on an assessment of median flows from the plant and the Council is satisfied that this is a reasonable assessment of the capacity it uses.

#### 4. Funding the ESSS

- 4.1 Based on its consideration of the submissions and reconsideration of the allocation of costs, the Council has decided that the Net Present Value of the capital costs of the ESSS will be allocated \$83.7 million (93.8%) to the growth community and \$5.5 million (6.2%) to existing connected ratepayers. (The Net Present Value of the capital cost has been updated from the estimate in the Statement of Proposal to take account of the revised population growth assumption that is now used in the model.)
- 4.2 The growth community share will be predominantly funded by development contributions and the development contribution will be set at \$10,326 (including GST). The Council will refund the difference between this amount and any higher amounts paid by developers since December 2011, plus interest at 4%pa since the date the payment was received.
- 4.3 The existing community share will be funded from a mix of the sale of surplus assets, existing renewal reserve funds and targeted rates.

#### 5. Development Contributions Policy

- 5.1 The amended Development Contributions Policy is attached as annex 1 to this appendix.

## Annex 1: Development contributions policy

### 1. Introduction

Please note :

The Council adjusts all development contributions annually by the CPI as at 31 December based on the Statistics New Zealand information released in the following January. The Council applies the All Groups index. CPI information can be found by visiting the Statistics New Zealand website, [www.stats.govt.nz](http://www.stats.govt.nz)

The Selwyn District (the District) has experienced strong population growth since the early 1990s. Recently (June 2011), the Council adopted population projections based on a study by the economic think tank, BERL which projects the growth in our District until 2041. These population projections are used as the basis for establishing the likely future population of the District and can be found on our website [www.selwyn.govt.nz](http://www.selwyn.govt.nz) under the Selwyn Community Plan.

In order to ensure that the projected population growth does not adversely affect existing and new residents of the District, the Council will need to undertake a number of infrastructural developments.

Territorial authorities may require contributions to the cost of infrastructural developments under the Local Government Act 2002 (the Act) and the Resource Management Act 1991 (the Resource Management Act). A territorial authority cannot require development contributions under the Act (development contributions) for the same purpose for which it has required financial contributions under the Resource Management Act.

The Council has decided that the cost of construction of additional infrastructure necessitated by population growth in the District will be funded from three main sources:

- development contributions as outlined in this LTP
- rates and
- borrowing.

#### 1.1. Legislative requirements and powers

The Council is required to have a Developments Contributions Policy as a part of its Funding and Financial Policies. This policy is required to be included within its Long Term Plan under section 102(2)(d) of the Act. Part 8, Subpart 5 of the Act gives territorial authorities the power to require development contributions. Development contributions provide the Council with a method to obtain funding to provide infrastructure, which is needed to support growth that occurs within its District.

#### 1.2. Rationale for funding the costs of growth through development contributions (consideration of Section 101(3) of the Act)

In determining whether development contributions are an appropriate funding source for different activities, the Council considers, for each of its activities:

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

The Council then needs to consider the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well being of the community.

In practice, this consideration can be summarised into four main steps:

##### Step 1 - Considering community outcomes (Section 101(3)(a)(i))

On a district-wide basis, the Council considers how groups of activities contribute to community outcomes. For example, the Council has determined that wastewater infrastructure projects contribute to the community outcomes of a clean environment, a healthy community and a safe place in which to live, work and play. The Council considers that the capital expenditure being incurred to meet the increased demand for community facilities contributes to the achievement of the following community outcomes (please refer to page 11 of the LTP for the full details of the community outcomes and the Council's role in providing them):

Community outcome	Reserves	Network infrastructure	Community infrastructure
A clean environment		√	√
A rural district	√		
A healthy community	√	√	√
A safe place in which to live, work and play	√	√	√
An educated community			√
A prosperous community			√
An accessible district	√	√	√
A community which values its culture and heritage			√

Charging new development a development contribution towards the additional or increased capacity of community facilities ensures an appropriate contribution to these community outcomes.

## Step 2 – Benefits and Causation

### *The questions the Council needs to consider under section 101(3)(a) of the Act include:*

- Who benefits from the community facilities (section 101(3)(a)(ii))?
- The period over which those benefits will occur (section 101(3)(a)(iii))?
- Who creates the need for the community facilities (section 101(3)(a)(iv))?

Within the framework of the Council's activities, and how the activities contribute to community outcomes, the Council develops a programme of infrastructural capital works and reserves purchases. For each of the individual capital projects on that programme, the Council makes judgements about who created the need for that project, who will benefit from the asset that it creates and how long that benefit will last. The value of the benefit attributed to the growth community in each part of the District over the next ten years is the amount that could potentially be recovered from that community via development contributions.

The Council has estimated the extent of growth within the District and has translated that to the expected number of developments which constitute that growth. The Council has also identified its capital expenditure necessary to meet the needs of the growth community and this is explained in this policy. Where the existing capacity of community facilities is insufficient to provide the levels of service to new residential and non-residential users specified by the Council in the LTP, those new users/the growth community are therefore the ones who create the need for new community facilities which requires the Council to incur capital expenditure. The Council also recognises that there may be capital expenditure necessary to increase the level of service for all, due to:

- Ratepayers who want increased levels of service.
- Obligations on the Council to raise the levels of service to meet resource consent or statutory obligations and conditions,
- Visitors to the District using the facilities.

The allocation of the benefits and the costs take these other factors into account.

For each of the individual projects that require capital expenditure, the Council makes a judgement about whether the asset being created will benefit the existing community or the growth community, or both of those groups. In making this judgement, the Council will consider a number of factors, including:

- The existing levels of comparable service derived from existing community facilities.
- The ongoing costs (such as operating costs, depreciation and any other relevant costs) of receiving the service from existing community facilities and the community facilities to be constructed as part of a relevant project – ongoing costs are not capital expenditure and might be considered in the nature of a "negative benefit",
- The extent to which the relevant project will provide:
  - i. an increased or elevated level of service; or
  - ii. a new service.

For each individual project that requires capital expenditure, the Council determines the length of time over which the asset created by that expenditure will provide a benefit to the community.

### **Step 3 – Costs and benefits of funding the activity distinctly from other activities**

On an activity by activity basis, the Council considers the costs and benefits of funding each activity distinctly from other activities. The benefits of additional community infrastructure capacity generally accrue to the improved or new properties generating demand for that capacity. Development contributions paid by developers are likely to be passed on through section and lease prices to the occupants of those improved or new properties. Therefore the Council concludes that the use of development contributions to fund the cost of growth in community facilities, in proportion to the benefit received by the growth community, provides the benefits of greater transparency, greater accountability and intergenerational equity. These benefits exceed the cost of using development contributions as a separate and distinct funding source.

### **Step 4 – Overall impact on well-being of community**

Finally, the Council considers how funding each activity will impact on the wellbeing of the community. In general, the Council believes that the majority of the cost of assets being created or enhanced for the growth community should be paid for by the growth community through development contributions. Failing to fund growth in this manner would impose an unfair burden on the economic wellbeing of the existing ratepayer community.

#### **1.3. When is a development contribution required.**

Except as provided in paragraph 1.4, a development contribution is required in relation to a development when:

- The effect of that development requires the Council to construct new or additional assets for any network infrastructure, reserves or community infrastructure. and
- The Council has to incur capital expenditure to increase the capacity of existing assets (e.g. network infrastructure, reserves and community infrastructure) to support the growth from development.

The effect of development in terms of the impact on assets includes the cumulative effect that a development may have in combination with another development. A Development Contributions Policy also enables the Council to require a development contribution that is used to pay, in full or in part, for capital expenditure already incurred by the Council in anticipation of development.

#### **1.4. Limitations to the application of development contributions**

The Council will not require a development contribution for network infrastructure, reserves or community infrastructure in the following cases:

- Where it has, under section 108(2)(a) of the Resource Management Act, imposed a condition on a resource consent requiring that a financial contribution be made in relation to the same development for the same purpose; or
- Where the developer will fund or otherwise provide for the same reserve, network infrastructure, or community infrastructure; or
- Where the territorial authority has received or will receive funding from a third party.

### **2. Overview of Development Contributions Policy**

Section 201 of the Act outlines the required contents of a Development Contributions Policy. The following section is consistent with this requirement of the Act.

#### **2.1. Trigger for taking a development contribution**

Under the Act, the Council may require payment of a development contribution upon the granting of:

- a resource consent
- a building consent or
- an authorisation for a service connection.

The stage at which the Council requires the payment of a development contribution in respect of any development will depend on the nature of the community facility involved. In making this determination, the matters which the Council may consider include:

- practicality of implementation
- economies of scale in implementation costs
- fairness and
- best available knowledge for projections and allocating budgets.

#### **2.2. Dominant underlying zone**

The Council's development contributions are based on the predominant zoning being that for residential use. Accordingly, the Council reserves the right to assess an industrial/commercial development at the time of application as follows:

- type of development and impact on infrastructure and
- applicable dollar value that reflects development and impact on infrastructure.



### 2.3. When a contribution may be taken

While development contributions will generally apply where new units of demand are created at the subdivision consent stage, the Council may however apply contributions at the building consent stage or at the service connection stage on residential and rural development only where additional units of demand are created in the absence of subdivision. The Council's experience is that occasionally units of demand are created by an additional household unit on land already subdivided. In such cases, as a matter of equity, the Council will assess and seek the appropriate development contribution at the building consent stage. If additional units of demand are created in the absence of subdivision or outside of the building consent stage the Council will require a development contribution at service connection stage.

### 2.4. Policy commencement date

Any resource consent, building consent or service connection application received on or after the date the 2012/2022 Selwyn Community Plan is adopted by the Council, will be subject to a development contributions charge under this policy. Consent applications received prior to the 2012/2022 Selwyn Community Plan being adopted will be subject to contributions payable under the policy that was in place at the time the application was received.

### 2.5. Activities requiring a development contribution to meet the costs of growth

The Council may require a development contribution from any development of the following:

1. capital expenditure expected to be incurred as a result of growth and
2. capital expenditure already incurred in anticipation of development.

Funding the Council's capital expenditure for growth with development contributions is considered alongside the Council's other funding tools. Development contributions will be required from development under this policy to meet the growth component of the future capital expenditure budgets, not met from other sources. For community facilities: network infrastructure, community infrastructure and reserves. Table 1 identifies activities the Council will require a development contribution on.

**Table 1: Activities requiring a development contribution**

Activities	Community Facilities
Water	Network infrastructure
Sewerage	Network infrastructure
Stormwater	Network infrastructure
Roading and Transportation	Network infrastructure
Community centres/libraries	Community infrastructure
Reserves- land and developments on land	Reserves

### 2.6. Capital expenditure the Council has incurred in anticipation of development

Development contributions will also be required from development to meet the cost of capital expenditure already incurred in anticipation of development, where the Council has assessed it appropriate and reasonable to do so.

The Council, since 1995, has accounted for capital expenditure described above as follows:

- Plan Change 21 - this plan change allowed the Council to estimate the future growth that would be serviced by the infrastructure that it was installing. In particular, the sewerage schemes installed by the Council in Prebbleton, Springston, Tai Tapu, Rolleston and Southbridge during the period from 1996 to 2005 may not have been affordable to the existing population if the Council had not considered the future growth opportunities that would occur from the installation of sewerage. Allowing for future growth when designing these systems meant that the funding of the systems could be spread over the future population, not just the current population. The cost of the infrastructure to service the future population as opposed to just the current population is titled 'holding capacity'.
- Holding Capacity (Policy T103) - as the name suggests, this is the dollar value or number of connections between the capacity that is required to service the current population and what is being 'held' to service the future population. The Council, in making this decision to have holding capacity in a scheme, has to fund this cost until property owners, who create growth, repay it. Such a decision involves the Council now owning an asset in infrastructure

as opposed to having money in the bank. Although this decision is effectively swapping one asset ('cash') for another asset ('infrastructure'), cash earns interest income while infrastructure does not. Interest income is used by the Council to reduce/subsidise its general rates. When it does not have interest income, general rates increase. For this Council, this causes an inequity. Approximately half of all Selwyn residents provide their own sewerage disposal system (e.g. septic tanks). It is not fair for half of the District's residents to have a general rate increase because they are not getting the benefit of a Council provided sewerage system. To achieve equity, the Council makes an interest charge on those communities that have 'holding capacity' in their water and sewerage infrastructure. This interest charge is collected with the targeted rate that is levied to run/operate the infrastructure system. As more properties connect, and pay their development contribution, the holding capacity interest charge reduces.

Where further community facilities are required to meet an anticipated increased demand for services, the Council may elect to invest in the necessary infrastructure before the development, which will generate the increased demand, occurs. Again, this may result in an interest charge being included in the eventual development contribution to recover the opportunity cost of the early investment in the necessary community facilities.

## **2.7. How is interest calculated?**

Where the Council invests in infrastructure, the following occurs:

- forecasts are made as to the population to be served from growth and how many lots will be created;
- the expenditure required to service the growth will be determined; and
- when the lots from growth will actually be connected to the infrastructure and ultimately when the lot is liable to pay its development contribution is forecast.

Based on this information, an appropriate financial model can be developed on which development contributions can be calculated to recover all costs of development and the cost of interest incurred as a financing cost until development contributions are received to repay the Council investment in infrastructure.

## **2.8. Best available knowledge**

Development contributions are based on capital budgets from Council Activity Management Plans. The capital expenditure budgets and projected estimates of future asset works are based on the best

available knowledge at the time of preparation. This Development Contributions Policy will be updated, as practical, to reflect better information as it becomes available.

## **2.9. Calculation of headwork's share**

Included within the development contribution will be an allowance for any headwork's share. This headwork's share is based on the lesser of:

- the cost, or
- most recent book value

of the infrastructure concerned being divided by the growth in the township concerned. This headwork's share is the buy-in by new lots to the existing infrastructure investment. Funds collected from headworks can be used to finance the replacement of existing infrastructure or construction of new infrastructure.

## **2.10. The Council's use of development contributions**

The Council will use development contributions only on the activity for which they are collected. This will be undertaken on an aggregated project basis for each of the activities.

Where the Council anticipates funding from a third party for any part of the growth component of the capital expenditure budget, then this proportion is excluded from the total estimated growth component to be funded by development contributions. Similarly third party funding received for capital expenditure the Council has incurred in anticipation of development has also been excluded from figures.

## **2.11. Implementations and review**

It is anticipated that this policy will be updated on a three yearly basis or at shorter intervals if the Council deems it necessary. Any review of policy will take account of:

- any changes to significant assumptions underlying the Development Contributions Policy;
- any changes in the capital development works programme for growth;
- any changes in the pattern and distribution of development in the District;
- any changes that reflect new or significant modelling of the networks;
- the regular reviews of the Funding of Financial Policies, and the Selwyn Community Plan;
- any changes that the Council needs to implement from the adoption of its proposed District Plan; and
- any other matters the Council considers relevant.

### **3. Administration of development contributions**

#### **3.1. Remissions**

At the request of the applicant, the development contribution required on a development may be considered for remission at the Council's discretion on a case-by-case basis.

**Remission (in whole or in part) of development contributions may be allowed where:**

- The developer has already paid the required contribution in respect of the relevant community facilities.
- The circumstances are such that the development or other work carried out by the developer in connection with that development results in a reduction in costs to the development contributions account and, therefore, a corresponding reduction in the development contribution required from that developer is appropriate. Such circumstances include situations where the timing of the payment of the development contribution is such that it will have a significant positive impact on the Council's financial modelling for the relevant activity (this will generally be the case if the development contribution in question is paid in bulk significantly before the time anticipated by the relevant model).
- The development contributions applicable to a particular development are manifestly excessive in that the cost of the new or additional assets or assets of increased capacity required by the development is demonstrably less than the development contribution which would otherwise be required by this policy. In such cases, the cost to the development contributions account attributable to the development is reduced and the Council may remit the development contribution payable in respect of that development by the amount of that reduction as reasonably assessed by the Council. (This catch-all is inserted because the Council recognises that there may be situations not envisaged at the time this policy was established that justify remission. However where units of demand are created it would only be in exceptional circumstances that the Council would accept that a remission is justified).

Remissions must be applied for before a development contribution payment is made to the Council as it will not allow remissions retrospectively.

#### **3.2. Process for consideration for remission of development contribution**

Any request for remission of development contributions shall be made by notice in writing, from the applicant to the Council, before development contributions required on the development are paid. Any request for remission shall set out reasons for the request.

In undertaking the review of the request; the Council:

- shall consider the request as soon as reasonably practicable;
- may, at its discretion, uphold, reduce, or cancel the original amount of development contribution required on the development and shall communicate its decision in writing to the applicant within 15 working days of receiving the request; and
- delegates decisions on remissions to staff.

Where the Council decides to consider such a request the following matters will be taken into account:

- the Development Contributions Policy;
- any relevant financial/engineering modelling;
- the Council's Revenue and Financing Policy;
- the extent to which the value and nature of works proposed by the applicant reduces the need for works proposed by the Council in its capital works programme;
- existing uses on the site of the proposed development;
- development contributions paid and/or works undertaken and/or set aside as a result of:
  - i. previous developments and contributions paid/payable;
  - ii. agreements with the Council;
  - iii. financial contributions under the Resource Management Act; and
- Any other matters the Council considers relevant.

In any case, the Council retains the right to uphold the original amount of development contributions levied on any particular development.

#### **3.3. Refunds**

The refund of money and return of land if development does not proceed and refund of money or return of land if it is not applied to specified reserves purposes will be applied in accordance with sections 209 and 210 of the Act.

Any refunds will be issued to the current landowner of the development to which they apply and will not be subject to any interest or inflationary adjustment.

### 3.4. Payment of development contributions

If any development contributions are not paid at the time at which the relevant resource consent, building consent or authorization for service connection is granted, the development contributions which would otherwise have been payable on the occurrence of those events will be re-assessed according to the Council's then current development contribution policy at the time at which the developer actually pays such development contributions.

If payment of a development contribution is not received within 20 working days of the invoice for that development contribution being issued, the Council may exercise the powers outlined in section 208 of the Act. That provision states that until a development contribution required in relation to a development, has been paid or made under section 198 of the Act, a territorial authority may:

- In case of a development contribution required under section 198(1)(a):
  - i. Withhold a certificate under section 224(c) of the Resource Management Act
  - ii. Prevent the commencement of a resource consent under the Resource Management Act
- In the case of a development contribution required under section 198(1)(b), withhold a code of compliance certificate under section 43 of the Building Act 1991.
- In the case of development contribution required under section 198(1)(c), withhold a service connection to the development and
- In each case, register the development contribution under the Statutory Land Charges Registration Act 1928, as a charge on the title of the land in respect of which the development contribution was required.

If development contributions are not paid by the due date for payment (including any deferred due date agreed in accordance with paragraph 3.8 of this policy), and without limiting the Council's ability to exercise the powers in section 208 of the Act, the Council may:

- charge interest at a rate equal to the Bank of New Zealand's Commercial Lending Base rate plus 3% per annum on the development contribution (as assessed according to the Council's development contributions policy at the due date for payment) from the due date until the date of payment; or
- initiate debt recovery proceedings for the unpaid development contributions.

### 3.5. Extraordinary circumstances

The Council reserves the discretion to enter into specific arrangements with a developer for the provision of particular infrastructure to meet the special needs of a development, for example where a development requires a special level of service or is of a type or scale which has not been assessed in terms of units of demand.

### 3.6. Tax – GST

Development contributions required will incur a Goods and Services Tax upon assessment of contributions payable.

### 3.7. Calculating contributions over multiple development areas

In any situation where a proposed development lies partially in each of two or more development contribution areas, the development contribution for the entire development will be calculated based on the contribution applicable to the development contribution area that contains the majority of the development land area.

### 3.8. Deferment of the payment of contributions

The Council will not normally permit deferred payment of development contributions required in connection with the issue of a land use consent, building consent or an authorisation for a service connection. These contributions will be paid at the time these consents or authorisations are uplifted from the Council.

The deferment of payment of development contributions for subdivisions is at the discretion of the Council. As noted in paragraph 3.4 above, it will be a condition of any agreed deferral that the development contribution which would otherwise have been payable on the granting of the relevant subdivision consent will be re-assessed at the time at which it is actually paid.

Where the Council agrees to allow the deferment of the payment of a development contribution, the Council may require that either:

- an encumbrance be registered against the certificates of title for each allotment in the subdivision; or
- the developer provide a bank bond,

securing the obligation to pay the development contribution. Alternatively, a solicitor's undertaking to pay the development contribution on sale of the relevant property may be accepted. The Council may require that the encumbrance, instrument or bond arrangement record the requirement for the

contribution to be paid by a specified date regardless of whether the allotment in question has been sold by that date. The Council may also require that:

- i. the subdivider pays the Council's legal costs for the preparation of an encumbrance and a release fee; and
- ii. the cash contribution is divided by the total number of allotments, with payment of the relevant development contribution commencing at the first sale; and
- iii. For a minor (e.g. one additional lot being created) development, the Council may accept a solicitor's undertaking to pay development contributions from the proceeds of sale of the allotment where an unconditional sale and purchase agreement for that allotment exists.

Where an encumbrance, bank bond or other undertaking is entered into, the Council will charge interest on any outstanding amount of the cash contribution not paid within two years of the subdivision consent. Interest will be charged on the development contribution that would have otherwise been payable on the issue of the subdivision consent (as assessed in accordance with the Council's development contributions policy at the time of the issue of the subdivision consent) at a rate which is equal to the Bank of New Zealand's Commercial Lending Base rate plus 3% per annum.

### **3.9. Unit of demand**

The unit of demand is a form of measurement to calculate the level of demand for community facilities from developments. The Council will define and calculate units of demand for different types of community facilities and types of developments on a consistent and equitable basis. Depending on the type of community facility or type of development, a differentiation may be made between residential, rural and non-residential development because of the different types and levels of demand these developments make on community facilities. Unless stipulated otherwise, the unit of demand will be a household unit equivalent being a normal residential house averaging 2.8 persons ('HUE'). For the majority of development in the District, one allotment in a subdivision or one connection to the relevant network infrastructure will equate to a normal residential household or HUE. There will, however, be cases where an individual allotment does not approximate to a HUE and, in such cases, the Council will assess how many HUEs of demand are generated by such an allotment and charge development contributions on this basis.

### **3.10. The capital expenditure already incurred to meet increased growth demand – indexed by CPI**

Development contributions are calculated at the time the infrastructure expenditure is incurred. Each contribution is annually indexed by CPI as at 31 December to reflect the real value of money at the time at which the relevant development contributions are paid with the intention that, in real terms, development contributions are equalised across the period in which they are recovered. This approach is incorporated in the Council's modelling so that early payers of development contributions pay less in nominal terms.

## **4. Water and sewerage - specific issues regarding development contributions assessment**

### **4.1. Approaches to methodology**

In developing a methodology for the Development Contributions Policy, the Council has taken the approach to ensure that the cumulative effect of development is considered with a system-wide view. This policy considers the specific infrastructure demands created by individual developments in the context of the Council's wider community responsibilities as an infrastructure service provider.

### **4.2. Development contributions areas**

For the purpose of development contributions the District is broken into 28 water contribution and 12 sewerage contribution areas based on activity service catchments.

### **4.3. Planning horizons**

A 20 year timeframe is being used as a basis for forecasting growth and applying a development contribution. This is consistent with the Council's activity management planning horizons. The Council will amend the planning horizons where it has information that is appropriate to do so.

### **4.4. Best available knowledge**

Development contributions are based on capital budgets from the Council Activity Management Plans. The capital expenditure budgets and projected estimates of future asset works are based on the best available knowledge at the time of preparation. The policy will be updated, as practical, to reflect better information as it becomes available.

#### **4.5. Water and sewage catchments**

Selwyn has water and sewerage reticulation networks which service defined catchments.

Interdependence within each network creates a need for integrated management of the operation of these necessary components. As such, the management of each network is undertaken with network-wide supply and demand issues in mind.

Development contributions for each defined water and sewerage catchment area will be based on the value of future identified growth works for each service catchment.

#### **4.6. Who gets charged?**

Under the above outlined method, all new developments in the service catchments within identified development contribution areas, will be subject to a development contribution.

#### **4.7. Justification for approach**

All growth works on the 'Integrated water and sewer Networks' are considered to service any lot within the specified boundary, up to a uniform service level, at any time. All components of the integrated networks also have excess capacity uptake. Any identified capital development growth-related works undertaken on the identified integrated network add to the capacity of the existing integrated network directly.

#### **4.8. Eastern Selwyn Sewerage Scheme (ESSS)**

The upgrade of the ESSS was required to cater for growth in the ESSS service catchment and the corresponding increased demand for wastewater connections and services. The Council's development contribution policy (as adopted in December 2011) anticipated that the capital cost of the ESSS, and the holding costs until that capital cost is recovered, would be principally recovered over time through development contributions.

The development contributions policy section of the Council's 2012 – 2022 Long Term Plan (LTP) noted that the Eastern Selwyn Sewerage Scheme Planning Group (ESSSPG) had made a number of submissions on the Council's ESSS development contribution in consultation on the LTP. As a result of these submissions, the Council has revisited its decision in relation to the funding arrangements for the ESSS.

The net present value (NPV)<sup>1</sup> of the capital cost of the ESSS upgrade (constructed to meet capacity requirements to 2041) is \$89.2m. Approximately 93.8% of the cost of the upgrade to the ESSS will be

funded from development contributions, with the remainder funded by asset sales (including, in particular, proceeds of sale of the (now redundant) Helpet plant land) and existing targeted rates. .

The Council has been collecting development contributions in relation to the upgrade of the ESSS for some time. On 25 June 2014, after undergoing a special consultative procedure to amend this policy, the Council decided to decrease the level of development contribution from \$14,368 to \$10,326 (both sums inclusive of GST) for new allotments within the ESSS catchment. This sum of \$10,326 (including GST) when adjusted annually for CPI, and taking into account revenue and growth projections, will recover the construction and debt servicing costs over the next 30 years.

Before making the decision to fund the upgrade to the ESSS in this way, the Council gave the following consideration to the factors set out in section 101(3)(a) of the Act:

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<sup>1</sup> All references to *net present value* and *NPV* in this section 4.8 are to 2013/2014 net present value including all relevant financing costs.

Factors under section 101(3)(a)	Consideration
<i>The community outcomes to which the activity primarily contributes (section 101(3)(a)(i))</i>	<p>The provision by the Council of wastewater services provides benefits to the community in terms of obvious contributions to the following community outcomes:</p> <p>a clean environment; and</p> <p>a healthy community.</p> <p>The ESSS upgrade will allow the Council to provide wastewater services to support future growth in relevant areas of the District to a standard currently enjoyed in that catchment, thereby maintaining and reinforcing the community outcomes listed above as the urbanised areas of the District expand.</p>
<i>The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals, in relation to the activity (section 101(3)(a)(iii))</i>	<p>The principal purpose of the ESSS upgrade is to allow for continued growth in the ESSS service catchment by providing satisfactory wastewater treatment services in that catchment.</p> <p>A significant proportion of the residents in the Selwyn District are neither served by the existing infrastructure, nor will be served by the ESSS as they lie outside of the ESSS service catchment. There will be no benefit (in terms of wastewater treatment) to these residents from the ESSS.</p> <p>As noted above, a number of existing connections to Christchurch City wastewater infrastructure will be transferred to the ESSS once it is completed. The Council considers that the ESSS upgrade will be of limited appreciable benefit to these existing users of Council provided wastewater systems in the Selwyn District for the following reasons:</p> <ul style="list-style-type: none"> <li>• from these persons' perspective, there will be no appreciable difference in the delivery of wastewater services; and</li> <li>• the treatment quality under the ESSS will be of a relatively similar level to what existing users of wastewater systems now enjoy.</li> </ul> <p>In moving to the ESSS the existing community is taking on a substantial and unnecessary (if the ESSS was not constructed and the Council did not cater for growth) financial risk in relation to the scheme because, in the event of substantially lower growth in the future it is this group that will need to fund any shortfall in development contribution revenue. In the Council's view, this is a significant detriment or negative benefit for the purposes of section 101(3)(a)(ii).</p> <p>However, existing users of Council provided wastewater systems in the ESSS catchment will receive some benefit from the ESSS upgrade in the form of lower operating costs relative to existing infrastructure. If the Council's wastewater programme was looked at as one system, construction of the ESSS would most appropriately be characterised as a means by which the Council can expand the wastewater treatment system in the ESSS catchment to ensure that it has the capacity to cope with increased demand occasioned by development. The tangible or perceptible benefits of the ESSS will therefore accrue principally to persons seeking to connect to reticulated wastewater systems in the Selwyn District in the future, as the ESSS will put in place sufficient wastewater capacity to accommodate such connections.</p> <p>After having considered the matters listed above, the Council considers that these net benefits to existing residents of the Selwyn District in general, and in the ESSS catchment in particular while relatively minor, need to be accounted for in the allocation of the incidence of the capital cost of the ESSS. Generally speaking, however, it is appropriate that growth communities fund the provision of additional infrastructure to service growth, as benefits accrue to new households and businesses generating demand for that infrastructure. Existing communities should not be required to fund additional infrastructure though rates in the absence of any benefit to them. However, where existing communities are expected to obtain benefits from the ESSS, then it is appropriate for them to contribute to the cost of the ESSS.</p>

Factors under section 101(3)(a)	Consideration
<i>The period in or over which those benefits are expected to occur (section 101(3)(a)(iii))</i>	<p>Benefits from the construction of the ESSS began immediately on its completion because, at that stage, the Council's wastewater system had the capacity to take on substantial further connections from the growth communities, while providing broader benefits to existing communities connected to the ESSS. The tangible benefits will accrue as new connections are made to the Council's wastewater system which, as a result of the construction of the ESSS, will have the capacity to take such connections. Those benefits will be on-going.</p> <p>On current growth projections, the Council's wastewater systems, including the ESSS, will have sufficient capacity to meet demand up to 2041. Construction of the ESSS is therefore projected to allow new connections to the Council's wastewater systems until that date.</p>
<i>The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity (section 101(3)(a)(iv))</i>	<p>The ESSS is has been built principally to cater for new connections to the Council's wastewater systems (as discussed above in relation to benefits) and the additional capacity it will provide will not be required until developers begin to complete their developments and these developments require service connections. It is therefore the actions of developers and/or those who purchase developed land which contribute to the need to proceed with the ESSS.</p> <p>In the absence of any need to service the growth community, there would be no need to proceed with the ESSS. There is no identifiable action or inaction on the part of any other individuals or groups in existing communities which would otherwise give rise to a need to proceed with the ESSS.</p>
<i>The costs and benefits, including consequences for transparency, of funding the activity distinctly from other activities (section 101(3)(a)(v))</i>	<p>As highlighted above, it has been determined that, given the proportionately high cost of the ESSS and in the interests of transparency, the ESSS should be considered as an activity in its own right in relation to a funding decision. The alternative would be to consider the overall provision of wastewater services, which would qualify as an activity for the purposes of section 101(3). As a relatively discrete project, it is straightforward to isolate capital spending on the ESSS, and make a separate decision in relation to funding. While there are additional costs involved in making a separate decision about the ESSS, it is considered that these are relatively minor in context, and these costs are acceptable in order to maximise transparency.</p>

In addition to the factors above, the Council has assessed the overall impact of the allocation of liability for the revenue needs of the community (section 101(3)(b) of the Act) in light of a number of factors including:

- (a) On the one hand, it is desirable to avoid unfairly loading a disproportionate amount of the capital cost of the ESSS onto the growth communities with the consequence that they may be unfairly subsidising existing communities. That could occur if, for example, growth communities end up subsidising benefits accruing to existing communities who are transferred from existing Council provided wastewater systems to the ESSS.
- (b) On the other hand, it is also desirable to avoid unfairly requiring existing communities to fund the cost of growth and take on the associated risk without identifiable benefits to existing users.
- (c) The cost of the ESSS could be spread most widely if it was met through general rates but this would mean that all ratepayers, most of whom would receive limited (if any) benefit from, and would not have created the demand for, the construction of the ESSS, would have to pay the cost. A targeted rate or lump sum contribution could mitigate this concern by targeting only users of wastewater services in the ESSS catchment.
- (d) While existing users of wastewater services might legitimately point out that their requirements are being satisfactorily met by existing arrangements and that they have already made a contribution towards the capital cost of wastewater infrastructure in the District, consideration should be given to recovery of a portion of ESSS costs from existing users where there are benefits accruing to them.
- (e) Funding the capital cost of the ESSS through increased development contributions would enable costs to be borne by those who receive the main benefit from, and have caused the requirement for, the additional wastewater infrastructure.

Taking these factors into account, the Council considers that the capital cost of the ESSS upgrade should be borrowed with the resulting debt serviced and repaid over time from the following sources:

- (a) development contributions as to \$83.7m or 93.8% of the capital cost of the ESSS upgrade; and
- (b) the balance of the capital cost of the ESSS upgrade (\$5.5m or 6.2%) being funded by existing connected ratepayers through asset sales and existing targeted rates.



There are a number of significant assumptions underlying the calculation of the development contribution payable in respect of the upgrade of the ESSS. These include:

- growth of 12,012 household unit equivalents over the period to 2041;
- actual interest costs and development contribution revenue in respect of the ESSS to date;
- a refund of development contributions paid since December 2011 to the extent that such development contributions exceed the level of development contributions which has now been adopted;
- upfront capital costs that are funded through Council debt, and repaid by development contributions (and rates for non-growth costs) over time;
- annual inflationary adjustments to development contribution charges;
- long-term interest costs for the Council averaging 7% (the model incorporates the Council's actual average cost of borrowing up to 30 June 2013, and then a forecast average cost of borrowing to 30 June 2041, with the average interest cost over the life of the model being 7%);
- a reduction in the charge to reflect targeted rate revenue for the non-growth costs of the ESSS, which are collected from the growth community as they become ratepayers; and
- the allocation of a proportionate share of the capital cost of the ESSS on account of the capacity used by Westland Milk Product's reverse osmosis plant which was recently connected to the ESSS contributing 546 household unit equivalents on a median flow basis (effectively isolating the costs of providing for this demand and dealing with it separately).

While the Schedule deals with development contributions for the ESSS upgrade on a lot by lot basis, where the Council considers that any connection to the ESSS will use more capacity than a normal residential household it may charge a proportionately higher development contribution in respect of such connection. Any such development contribution will be calculated on the basis of:

- the volume of any wastewater generated;
- the nature of the wastewater generated; and
- any impact on the Council's financial modelling in terms of timing of payment of development contribution.

Lots in the Izone industrial area will be treated as equating to 7 residential lots (and therefore 7 units of demand) for these purposes.

The Council is required to review its development contributions policy at least once every three years and will normally do this as part of the preparation of its Long Term Plan. However, the Council recognises that the development contribution charge for the ESSS is sensitive to the growth

assumption set out above and that it may be appropriate to review the assumption and revise the charge on an annual basis. It will do this if there is evidence that the actual rate of growth in the district is substantially different from the forecast rate of growth. This could result in the charge being increased or decreased to reflect the actual growth. The assessment of whether the charge should be reset will be completed as part of the annual plan process so that the updated charge can be included in the draft annual plan.

## **5. Roding - specific issues regarding development contributions assessment**

### **5.1. General**

The Council's roading and land transport network is contained within the Selwyn Territorial Local Authority boundary. It does not include state highways which are the responsibility of the NZ Transport Agency. Council's local network is characterised by a combination of interdependent asset components such as pavements, bridges, pathways, street lighting and drainage infrastructure. Interdependence within the network creates a need for integrated management of operation of these assets. As such, the management of the network is undertaken on a network wide basis catering for both specific and network wide levels of service and demands.

Accordingly the Council anticipates recovering the majority of its funds for developments from rates income or NZ Transport Agency subsidies for maintenance and renewal activities and those capital improvements projects that meet Agency funding criteria, such as those with high safety benefits or which contribute to wider national objectives. In other cases the Council has to fully fund improvement projects and in particular those relating to growth where roads and routes need to be upgraded to meet the demands placed on them from the additional traffic being generated from new activities.

The Council applies development contributions in specific situations where the roading improvements are necessary to support the development being considered or the development itself, if it necessitates requires an upgrade of the adjacent roading network, such as the upgrade of existing road frontages. Typical situations are listed in paragraph 5.2 below. However, traffic growth effects from individual developments that can accumulate over the wider network need to be addressed to maintain appropriate levels of service. This may include seal widening, intersection improvements, bend realignments and improved signage and delineation on main routes. The Council's 10 year Capital Improvements Programme for roading and transportation includes a mix of projects which are related to either renewal of parts of the asset, improved levels of service, improved safety, catering for increased growth and demand on the system, and alternatives to private motor vehicle travel to assist the management of demand.

The major emphasis in terms of roading and transport improvements have been identified through the Christchurch Rolleston and Environments Transport Study (CRETS) which considers the effects of longer term growth on the wider transport network and main routes over the Greater Christchurch area of the District. Other strategies such as Councils Walking and Cycling Strategy provide direction on how other transport modes are sought to be developed to provide a comprehensive and integrated transport network. The Council recognises the high speed rural environment in which its major routes operate and is conscious of the need to ensure the network provides a consistent level of service that ensures that people and freight can safely and efficiently move around in the District.

The growth and changes within the agricultural sector in the District have also led to traffic growth, which is dependent on the particular locality. As growth occurs in townships through new subdivision and commercial developments, this usually leads to the need to upgrade existing streets and roads and intersections to accommodate the new demands placed on them and to maintain the required levels of service. Older streets with limited kerbs and channels, footpaths and street lights are likely to need upgrading where a new development requires frontage to it. Pavements are also likely to need widening and strengthening to cater for the increase in traffic loadings. Connections between existing and new roads, footpaths and cycleways also need to be planned and funded. No provision has yet been made for any works relating to the central plains irrigation scheme, should that scheme proceed, although it is recognised that improvements to the existing network may need to be made in the future in the event of this irrigation scheme proceeding.

## 5.2. When roading development contributions will be taken – works adjacent to development

Development contributions may be requested for, or toward, the cost of roading works adjacent to development, where the roading works are made necessary to provide or improve services to the development or to avoid, remedy or mitigate its effects. The specific nature of works can seldom be identified in detail in advance of consent applications but early discussions with Council staff can assist in identifying potential contributions that may be considered applicable. These development contributions may be applied as a condition of subdivision, land use or building consent. In determining the contribution amount, the Council will estimate the cost of the infrastructure required and establish the percentage of this cost that reflects the extent to which the infrastructure serves the development. The net cost determined above will be further reduced by deducting subsidies and any other credits applying to the works. The anticipated percentage contributions from developers are set out for a number of situations in the following schedule.

Existing situation	Upgrading required	Developer's contribution
All	Establishment and traffic management	100%
Fronting an existing maintained road carriageway (contributions apply to development side only)	No change to existing kerb alignment required	
	Upgrade any existing footpath, berm, drainage and street lighting	50%
	A change to kerb alignment necessary due to the development	
	Upgrade and/or replace existing kerbing and channelling	100%
	Widen road carriageway and upgrade existing footpath, berm, drainage and street lighting	50%
	No footpath, berm, drainage and street lighting exists	
New urban development areas separated from adjacent existing urban transport infrastructure and connections	Widen road carriageway and construction of new kerbing and channelling, new footpath, new berm, new drainage, street lighting and speed management devices as considered necessary to provide a more consistent level of service and connectivity between developments.	50%
	Access along or fronting an unformed or unmaintained road	100%
	Extension from the nearest formed and maintained sealed road carriageway complete with all related infrastructure such as: carriageway, pavements and seal; new safety and traffic features; new kerbing and channelling; new footpath; new drainage; new berm; and new street lighting	

### **5.3. When roading development contributions will be taken – SH 1/Rolleston Drive/Hoskyns Road intersections**

The Council and Transit New Zealand agreed to the installation of traffic lights at this intersection. The contribution from developments allowed under Plan Change 60 totalled \$322,422 while industrial developers in the Jones Road/Hoskyns Road/Izone Drive area of Rolleston contributed \$268,685.

Each lot created by development in the Rolleston Metropolitan Urban Limit (MUL) will be levied a contribution of \$112 per lot (annually adjusted by CPI) from 1 July 2009. Developments that are industrial, commercial or retail in nature will be levied this contribution based on an assessment of traffic volumes generated as a % of all traffic volumes once the development is operational. In 2006/07 the Council agreed to forward fund the installation of traffic lights at the intersections to meet emerging safety and levels of services issues arising with the original Rolleston Drive and Hoskyns Road intersections with State Highway 1.

### **5.4. When roading development contributions will be taken – Lincoln Metropolitan Urban Limit (MUL)**

The Urban Development Strategy and Lincoln MUL define the growth strategies for Lincoln. To support this growth, improvements to the existing roading network are required to integrate the new roads created by developments from subdivision activity.

Two upgrade/construction projects will be undertaken to create this linkage. These are:

- the construction of a culvert and associated roading infrastructure on Southfield drive over the Liffey;
- the purchase of 7 Barker Street, removal of the dwelling and subsequent construction of associated roading infrastructure on the vacated lot.

Each lot created by development in the Lincoln MUL will be levied a contribution of \$613 per lot (annually adjusted by CPI) from 1 July 2009. Developments that are industrial, commercial or retail in nature will be levied this contribution based on an assessment of traffic volumes generated as a percentage of all traffic volumes once the development is operational.

### **5.5. When roading development contributions will be taken – improvements as outlined in the Christchurch and Environs Transport Study (CRETS)**

Each lot created by development in the Urban Development Area (UDS) of the Selwyn District will be levied a contribution of \$686 per lot (annually adjusted by CPI) from 1 July 2012 to fund the

improvements outlined in the CRETS study. This contribution has been calculated after deducting from the gross costs:

- NZ Transport Agency and Crown grants income as appropriate; and
- The public or existing lots share as at 1 July 2012 which will be funded by the Council from a variety of sources including general rates, general funds and loan funding. Developments that are industrial, commercial or retail in nature will be levied this contribution based on an assessment of traffic volumes generated as a % of all traffic volumes once the development is operational.

Lots created by development outside the Urban Development Area (UDS) of the Selwyn District will be levied a contribution of \$108 per lot (annually adjusted by CPI) from 1 July 2012 to fund the improvements outlined in the CRETS study. This contribution has been calculated after deducting from the gross costs:

- NZ Transport Agency and Crown grants income as appropriate; and
- The public or existing lots share as at 1 July 2009 which will be funded by the Council from a variety of sources including general rates, general funds and loan funding. Developments that are industrial, commercial or retail in nature will be levied this contribution based on an assessment of traffic volumes generated as a % of all traffic volumes once the development is operational.

This contribution reflects the wider benefits to all developments in Selwyn of the CRETS improvement programme and improved access to Christchurch.

### **5.6. When roading development contributions will be taken – purchase of land and improvements as necessary to create a southern bypass for Lincoln.**

The Lincoln Structure Plan outlines the growth of Lincoln until 2041. Consideration is being given to developing a southern bypass road to redirect heavy and through traffic away from the centre of Lincoln and also to assist in providing controlled access to southern Lincoln development areas. At this time no development contribution is being levied for this bypass road until the Council confirms it wishes to proceed with this in the future through its long term transport planning.

### **5.7. When roading development contributions will be taken – purchase of land and improvements to allow for roading linkages through the new Rolleston Primary School site between Lowes Road and Goulds Road.**

The Ministry of Education has constructed a new primary school in Rolleston called "Clearview". The Ministry is only required to provide a road into the site. To ensure an integrated linkage of the school

and the balance of the land to be subdivided into residential sections with Rolleston, the Council has constructed a road to a collector road standard between Lowes and Goulds Road which will be progressively extended further east over time to service other activities. The road will be funded as follows:

- from the Council's general funds to recover the cost attributable to the school (see note below);
- by levying a development contribution on the residential subdivision to be developed on this land with access off the new road; and
- by levying a development contribution of \$281 per lot (annually adjusted by CPI) from 1 July 2009 on all land subdivided in Rolleston reflecting the benefit of providing this road linkage to all road users.

Note: the Council's Development Contribution Policy is adopted under the Act. Section 8 of the Act excludes the Crown from being charged under the provisions of the Act. Accordingly, development contributions cannot be levied on the new school being constructed. This note is provided to explain why the school is not identified as a funding provider.

## **6. Reserves – specific issues regarding development contributions assessment**

### **6.1. Development Contributions for Reserves**

Contributions from residential subdivision and/or development are the means that have been chosen by the Council to generate the necessary funds for reserves/open space and facilities for recreation. The Council requires development contributions for reserves to provide for the additional actual and potential demand anticipated for open space/reserves, and associated activities, resulting from subdivision and development. The percentage taken historically has comprised contributions for reserves and facilities located in the township experiencing the growth, as well as a district contribution for reserves enjoyed by a wider section of the District. The Council's Community Facilities Activity Management Plan is key to identifying reserve requirements. It sets out levels of service and how these can be achieved. Outline development plans are also key planning documents, under the Resource Management Act, for identifying open space, walkways and reserve provision. The Council is, through these plans, anticipating growth locations and ensuring the appropriate provision of reserves through acquisition and purchase.

Again, where the Council does purchase land in anticipation of development occurring, then an internal loan may be set up and the land will be held for general purposes. Where the development

proceeds and a developer's cash contribution is used to repay the land, the land will then be vested as a reserve.

The Council considers that it needs to require the maximum reserve contributions provided for under the Act where the lot in question is 650m<sup>2</sup> or less or where more than one dwelling is erected on any sized allotment. For all other developments, the maximum rate of reserve development contributions will be in accordance with the table below at 6.5.

### **6.2. Rationale for funding the costs of growth through reserve contributions (consideration of section 101(3) of the Act)**

The Council has determined that development contributions are an appropriate funding source for reserves and open space, after consideration of the factors listed in section 101(3) of the Act (as discussed at paragraph 1.2 above).

#### **6.2.1. Community outcomes (step 1)- effects of community growth on provisions for reserves and facilities for open space and recreation**

Open space contributes to the community outcomes which are identified in paragraph 1.2 above, namely a rural district, a safe place in which to live, work and play, a healthy community and an accessible district.

Some of the beneficial environmental outcomes of having open space retained within the District are greater health of the environment, retention of ecosystems, greater biodiversity, retention of views, cleaner air, noise reduction and visual pleasantness. Social benefits include opportunities for family participation, play and exercise, teamwork, social interaction, and a greater sense of belonging to a community.

Development in the District inevitably changes the ratio of open space to built elements in the environment. Loss of vegetation and the covering up of land with buildings and the hard surfacing associated with structures, roads and carparks cumulatively erodes the benefits of open space previously available to residents and visitors. In addition, the increased population that development brings creates a greater demand for recreational opportunities traditionally provided by the District's parks, reserves, sports fields and walkways.

Failure to provide adequate open space can lead to a sense of alienation from nature and the community, decreased health, an increase in pollution and the loss of freedom to move and explore. Cumulatively, this has the potential to add to the stress of day-to-day living and to contribute to a perceived loss of quality of life.

Inadequate provision of open space and recreational facilities in a growing district usually leads to pressure on the existing facilities, which may accelerate their deterioration and the degradation of the

outdoor environment. This may result in friction among competing users leading to competition for scarce resources and loss of goodwill and cooperation.

Development contributions provide a direct means to enable the Council to counter-balance the adverse effects of change and development in the District. Direct adverse effects may include disturbance of soil, loss of hedges, trees and grassed areas, reduction in wild-life habitats and ecosystems and changes in varying land-forms characteristic of the region. Indirect adverse effects can include increased water run-off, loss of views and shelter and the introduction of more people, domestic animals and vehicles. The provision of reserves has traditionally served to give relief from the disadvantages of having more people living in an urban area. Not only must additional land be acquired for public recreational use, but also there is a need for cash to develop reserves to a standard where they can be fully operational. Public expectations have increased and there is an expectation that high standards of recreational experiences will be provided, in easily accessible locations.

## **6.2.2. Benefits and causation (steps 2, 3 and 4)**

### **6.2.2.1. Taking a community-wide approach to levels of service**

Within townships, open space will be provided within reasonable walking distance of a resident's home so there is consistency throughout a township in the provision of a place for children to run and play, together with space for trees and plantings. These reserves give relief from the built environment and add certainty that a basic provision of service and amenity will be met. Sports fields are not as easily allocated, as there is some variation in the popularity of sports and consequently in the demand for particular facilities. These will therefore be provided according to demand and accessibility. The Council has the discretion to vary these provisions if there are other facilities within easy reach e.g. play opportunities on an esplanade reserve or in a larger sports park with a wider catchment of users..

Also recognised in the planning for reserves and open space is the value of linking up areas of interest with walkways and protecting riparian environments with esplanade strips or esplanade reserves. Connections to community centres, schools, shops and sports-fields contribute substantially to the enjoyment of moving about the District via green corridors. Landscape features can be appreciated by the provision of open space associated with them, e.g. the Liffey Stream and associated reserve land in Lincoln township.

As Selwyn District is largely rural in character, with townships dotted throughout, the issues of reserves and open space provision are different from those of a large city. Future growth is predicted to be mainly in the major townships, especially Rolleston and Lincoln, so this is where reserve contributions can have the most immediate benefit for a significant number of residents within the township and its population catchment.

New reserves are provided to cater for the increased population growth. New residents and existing residents will utilise the existing and new reserves but, generally speaking, new reserves will be located in areas in which growth is occurring and, therefore, will be chiefly used by new residents.

### **6.2.2.2. Period over which the community benefits are anticipated to occur**

The community benefits that the Council expects to occur from the provision of reserves/open space, as funded, at least, in part by reserve contributions are anticipated to accrue when the relevant reserve is created or improvements to reserves made and continue in the following years.

### **6.2.2.3. Linking costs directly to those who create additional demand while giving certainty of revenue:**

Facilities and assets in a district have been paid for by current and past residents. Although these residents may, in the future, use new assets, the provision of which has arisen from growth in the District, it is fairer for the establishment costs to be substantially borne by the person whose actions have led to the demand for the new assets. These costs arise when a development change is initiated, as this is when the link between the initiator and payer can be most clearly established. This occurs at the time of a subdivision consent, land use consent or building consent.

Development contributions taken from the initiator of such development changes allocate the costs in a direct and timely manner. The entire cost of increased demand is not intended to be met by development contributions, as some new needs are not directly attributable to a specific development. It is sometimes possible to anticipate where a significant area of land may be needed for recreation in the future through the Council's activity plans and, where there are growth projections available. Leaving land purchase to a later stage in the District's development may mean that the opportunity to acquire a particularly suitable tract of land has already passed. Land may be purchased by the Council ahead of time, in anticipation of development. The Council may set up an internal loan for the purchase of such land using revenue from general rates. That land will be held for the Council's general purposes pending the development occurring.

The cash reserve contribution from subsequent developers may be used to repay the internal loan. Where the developer's cash reserve contribution is used to repay an internal loan, then the pre-purchased land will vest as reserve.

### **6.2.2.4. Costs and benefits of funding reserves distinctly from other activities**

The Council is of the view that the use of development contributions to fund the cost of providing reserves/open space provides the benefits of greater transparency, greater accountability and intergenerational equity.

### 6.2.3. Community wellbeing

In summary, the Council considers that the overall impact of allocating liability for revenue for reserves/open space, primarily, on subdividers/developers promotes the social, economic and environmental well-being of the existing and future communities of the District. If the Council did not require subdividers/developers to provide reserve contributions, the Council would have to find the finance to fund them, through general or targeted rates and/or loans, which would detrimentally impact all existing residents. The paragraphs above identify the significant environmental and social benefits reserves/open spaces provide. Reserve contributions ensure these benefits will be enjoyed by residents of the District both now and in the future.

### 6.3. Objectives of taking development contributions for reserves

1. Countering the adverse effects of change and development;
2. Linking costs directly to those who create additional demand while giving certainty of revenue and
3. Taking a community-wide approach to levels of service.

### 6.4. Reserve contribution requirements

The Council will require a contribution to be paid in accordance with the table set out below at the time of granting:

- i. a resource consent under the Resource Management Act 1991; or
- ii. a building consent under the Building Act 1991.

Payment of the contribution will be made:

- iii. as a requirement made when granting a subdivision consent, at the time prior to the issue of the Section 224 RMA Certificate; or
- iv. as a requirement made when granting a land-use consent or a building consent, at the time when uplifting the land use or building consent.

In the event of the contribution not being paid at the above specified times, the Council shall take the actions specified in Section 3.5 of this Development Contributions Policy.

### 6.5. Calculating the development contributions payable for reserves

The development contribution payable is also subject to the statutory maxima provided by section 203(1) of the Act, namely that development contributions for reserves must not exceed the greater of:

- a) 7.5% of the value of the additional allotments created by a subdivision; and

- b) the value equivalent of 20m<sup>2</sup> of land for each additional household unit created by the development.

Additional information on assessing the development contribution payable for reserves

The contribution in relation to subdivision consents may be as cash, land or a combination of both as agreed with the Council. In relation to land use and building consents, the contributions will normally be cash.

Contributions paid at the time of subdivision consent may be reduced by the amount of any contribution made at the time of a previous building consent on the same land, provided that any previous building was erected within the preceding 10 years. Contributions made at the time of land use or building consent may be reduced by the amount of any contribution made at the time of a previous subdivision consent over the same land, provided that any previous subdivision occurred within the preceding 10 years. There is also provision for approved credits that contribute towards making up the total value of the reserve contribution as set out below.

The maximum rate of reserve contribution payable is summarised at paragraph 6.6 below.

### 6.6. Maximum rate of contribution

Lot size <sup>1</sup>	Reserve Contribution (% of the mean value of additional allotments) <sup>2</sup>	
>4ha	2%	Assessed on the mean value of 4ha for each allotment 4ha
>1- 4ha	3%	
2500m <sup>2</sup> – 1ha	5%	

<sup>1</sup> Lot size means the average size of all the allotments created as part of the subdivision excluding:

- any allotment created for another purpose which is stated in the resource consent application or is a condition by which the subdivision consent is granted, or
- any allotment which will not have residential unit erected upon it as a condition by which the subdivision consent is granted.

Where land is not being subdivided, the density of the development shall be the size of the allotment on which any residential unit shall be erected. The size of any allotment on which a residential unit shall be erected shall include the size of any balance area of land, which the district plan rules require to be kept free of residential units. If more than one residential unit is to be erected on an allotment, the density shall be calculated by dividing the size of the allotment by the number of residential units erected on the allotment.

<sup>2</sup> Where land is not being subdivided, the area of the additional allotments for the purpose of calculating the mean value shall be the area of the allotments on which any additional residential units shall be erected. If more than one residential unit is to be erected on an allotment, the area of the allotment for the purpose of calculating the mean value shall be determined by dividing the area of the allotment by the number of residential units to be erected on the allotment.

1200-2499m2	6%	
650-1199m2	7%	
<650m2 or >1 dwelling erected on any sized allotment	7.5%	

### **Basis of valuations for cash and land equivalent contributions**

A registered valuer, engaged and paid for by the subdivider/developer, will assist the Council to calculate each reserve contribution. The calculation of all reserve contributions will be made by a registered valuer - as (a) land alone (b) cash alone, based on the equivalent land value or (c) a combination of the two which may include the value of improvements (refer paragraph 6.8).

#### **6.6.1. Valuation of land to vest as reserve**

The value of the land to be taken as reserve contribution will be calculated at the time the application is made to vest the land as reserve. The value of the land will be adjusted to take into account easements and service corridors necessary for the development and located on reserve land. It is expected that the presence of service corridors will reduce the value of the land they pass through. The valuation will reflect the fair market value of the land once the development is completed, or reflect any other method of valuation as agreed between the Council and the subdivider. If the reserve land is an amalgamation of more than one lot, the valuation will be on the total size of the land as if it were on one title. This land value shall then be reconciled with the cash value of the reserve contribution as calculated in accordance with the table set out above. If the land value is less than the cash value of the required contribution, the difference shall be paid to the Council in cash or through approved development works on the reserve. If the land value is greater than the cash value of the contribution, the Council will purchase the balance of the land at the same valuation, or the Council may transfer the value of the balance of the land to be used as reserve contribution for a subsequent subdivision undertaken by the same subdivider, provided that:

- the subdivision consent for the subsequent subdivision is granted within two years of the first certificates of title being issued for the initial subdivision; and
- the land of the subsequent subdivision is located within 500m of the land in the initial subdivision.

Such a transfer of reserve contribution from one subdivision to another can only occur once.

#### **6.6.2. Cash contributions**

If the Council does not require a land contribution, or does not require the full contribution to be made in land, then full payment of the reserve contribution, less any credits for land acquired by the Council, will be paid in cash.

In the case of subdivision consents, the cash contribution for each additional lot will be the average agreed market value of the lots in the subdivision, multiplied by the reserve contribution % as set out in the above table in paragraph 6.6. In the event of a single purchaser acquiring more than 25% of the number of allotments in a subdivision, prior to the date that the certificates of title are issued, the valuation of the lots shall reflect their fair market value. Any land may be subject to a reserve contribution at a later date, if it is subsequently subdivided.

In the case of subdivision consents for allotment(s) greater than 4ha in area, the cash contribution for each additional allotment greater than 4ha in area shall be based on the market value of a 4ha allotment in the same area and/or of the same zoning e.g. Inner Plains. In the case of a consent, other than subdivision, the cash contribution will be the market value for land in the area, multiplied by the reserve contribution % as set out in the above table. The method of determining the area of land to be valued is set out in footnote 2 to the above table. The Council may attribute a market value to land by valuation, or by any other method as agreed between the Council and the developer.

#### **6.6.3. Disputes**

If the Council challenges the valuation tabled by the developer, the Council can have a second valuation carried out at the applicant's expense. If the applicant disputes the findings of the Council appointed valuer, a second opinion will be sought from another registered valuer approved by both the Council and the applicant, and paid for by the applicant. If agreement still cannot be reached, both parties will seek arbitration on the matter.

#### **6.7. Criteria for taking land instead of cash**

A subdivider/developer may offer the Council land, in lieu of, or in addition to cash, as a reserve contribution. The decision to accept or refuse land a subdivider/developer offers as a reserve contribution is at the Council's discretion, but it will be made in discussion with the subdivider/developer at the time he/she/it lodges their application or earlier if the Council is notified of the owner's intention to offer land as a reserve contribution. Not all land will be considered by the Council as being suitable for taking as reserve contribution. If land is to be taken as the total, or part of a, reserve contribution, it must function appropriately to offset the effects of development and the Council may refuse land it does not require..

In discussion with the subdivider/developer, it will firstly be determined

- i. whether the development will increase the demand for open space and recreational land; and
- ii. whether there is a shortage of land for open space and recreational use in the area where the development is proposed, and if so, which land in the development can appropriately satisfy this need.

Secondly, discussions over the suitability of the particular land to be acquired by the Council as reserve contribution will need to be held as early as possible, because one piece of land may be superior to another within the same development. To determine the suitability of the land, the Council will use the following criteria together with, any other information that the Council, in its discretion, considers is relevant, in considering the particular development:

- the Council's need for the land
- the Council's capacity to pay for maintenance and improvements to any land acquired by it as a reserve contribution
- size, location and accessibility
- frontage to a roading network
- soils, gradient and topography
- landscape features and quality
- potential for linkages and walkways
- margins of waterways
- proximity to other desirable features
- potential for views into or from the site
- ecosystems and bio-diversity
- significant mature vegetation
- existing shelter belts
- historic and cultural significance
- safety for users
- potential for enhancement
- absence of hazards and
- vulnerability to natural hazards, including, but not limited to, earthquake damage, inundation and sedimentation.

With respect to the size of reserve land:

- i. A local neighbourhood park, should be 2000 to 3000m<sup>2</sup> in size, unless it serves primarily an open space function and is adjacent to other open space, where a smaller area may be acceptable.

- ii. A district sports field should be a minimum of 4 hectares.
- iii. If the District sports field is to also accommodate club buildings, the size should be increased to 8 hectares.

The Council considers that the benefits of open space/reserves generally need to be distributed to and enjoyed by the whole community. It therefore will not accept land which clearly benefits only a limited number of users and which is unlikely to fulfil the recreation needs of the community to a substantial extent.

If agreed by both parties, more land than is required as reserve contribution may be vested as reserve at no extra cost to the Council and without additional credits being granted to the developer, but increased development and maintenance costs may be a deterrent to the Council accepting more land than it needs. It will be at the Council's discretion whether it would rather take additional land or cash for future capital improvements.

#### **6.8. Use of cash contributions**

Cash taken as part or all of a reserve contribution may be used for:

- the purchase of land for reserves;
- capital improvements to newly acquired land, or existing Council owned land, to provide open space and facilities for sports and recreation needed as a result of development;
- the repayment of loans (be they loans to the Council from external and/or internal funding sources) taken out for the purchase of land for possible future reserves or for capital improvements); and
- any other purposes provided for in section 205 of the Act.

At the time the reserve calculation is raised, (usually prior to resource consent being granted) the Council will confirm if it is willing to pay for improvements. No payments will be made for improvements that the Council has not been expressly identified as being funded from the reserve contribution and signed off by it as such. This is discussed below at paragraph 6.9.2

Cash acquired through the reserve contribution process cannot be used to pay for maintenance. The Council can use a cash contribution received for reserves purposes for the purchase or development of reserves within its district to another local authority or public body which controls land in the District, that will make provision for recreational facilities important to the residents of the District. Such a payment shall be on the terms and conditions the Council thinks fit. The Council will hold cash in the reserve development fund earning interest until it is required. Cash taken as part or all of a reserve contribution will be used in such a way as to provide a benefit to the wider locality from which the contribution was required.



## 6.9. Credits

Credits, up to a maximum of 20% total, towards the value of reserves contributions may be gained by a subdivider/developer for the retention of valuable existing features on the land, or for improvements to the land, or a combination of both. Credits will be given on a case-by-case basis at the request of the subdivider/developer, in the following circumstances.

### 6.9.1. Existing features

#### *Trees/vegetation*

Before a developer takes out existing trees and/or shelter belts, it would be appropriate to approach the Council to see if the retention of existing vegetation would have value as a credit for the calculation of reserves contributions. The trees, together with the land they exist on, may have a greater value than the cleared land if they provide shade and shelter and clear benefits for the community. Another reason to retain trees and to give a credit for their retention may be the value they have as part of the District's identity and history and their role as a habitat for birds and wildlife. The amenity that existing vegetation adds to the community can be considerable and its value is often noticed after its removal, particularly in the case of shelter. It may only be possible to retain large trees and small scale shelter belts if sufficient land is set aside around them to enable trimming and maintenance to take place. Vegetation needs to be in a well maintained condition and have a minimum of 20 years' life remaining to be acceptable. Its location is also critical. Vegetation which is likely to pose health and safety risks to the community, or requires substantial maintenance to keep it safe, will not be accepted as a credit and may be required to be removed from the land as a condition of resource consent.

Any land that is to come into the Council's ownership will be cleared by the developer of noxious weeds and unsuitable vegetation.

#### *Landform*

Land which has topographical interest may be desirable for reserves. Features may include natural river terracing, riparian edges, wetlands, natural water features, rock formations, elevation for views, or the land may be part of those areas that come under 'Outstanding Natural Features and Landscapes' B1.4 of the District Plan, Volume Two.

If the land which is to become a reserve has been excavated, filled, polluted or in any way devalued after the Council has accepted the land as a reserve contribution, the developer is required to restore, fill, topsoil and grass down the land, in consultation with the Council and to its satisfaction.

#### *Structures of historic or cultural interest*

It may be possible to base a subdivision theme on existing man-made features which add variety and interest to the District. Structures may include fencing, stone or brick walls, gates, paving, garden layout, farming structures, small buildings or remnants thereof, bridges, canals, memorials and historic markers. Reserve land may be taken in places where such items are located, in order to preserve them for future interest but the safety and maintenance of such features have to be acceptable to the Council.

### 6.9.2. Improvements to the land

Work that comes within the category of reasonable improvements of a standard the Council might itself have made to the land, over time, may have their value assessed as part of the reserve contribution. Such works are not to compromise the land's value as open space (see 6.1) Improvements might include the planting of trees and shrub borders, paving, installation of seats and litter bins, construction of play facilities and shelter. providing the Council approves the design and layout expressly for the purpose of reimbursement and the improvements are considered by the Council to be relevant to the recreation needs of the community. It would not normally extend to elaborate structures, works of art, walls and gateways, special paving, boardwalks, fountains and water features, or anything that is intended to enhance the development to increase its market appeal rather than to offset the impact of development and the loss of open space which results. Such improvements would be assessed to ensure they do not lead to greater than normal maintenance costs for the Council, once it becomes owner of the improvements. The Council reserves the right to take cash in lieu of improvements so it may develop either the land in question or land elsewhere in the community, where increased demands for facilities are already being felt or are anticipated. The Council may want to involve the new residents in the design of their reserve land at a later date, in which case cash will be taken to pay for this work in the future and the land will be prepared, top-soiled and grassed by the developer to the Council's engineering code of practice before being vested in Council.

All works carried out on land which is to come into Council ownership must meet the Council's Engineering Codes and relevant safety standards.

Examples of improvements, up to a maximum of 20% of their cost, which may constitute a credit :-

- asphalt paths not considered part of the transportation network
- classic seats with backs, as often installed by the Council;
- litter bins;

- amenity trees of approved species which have the potential to grow to a minimum of 10m in that location, planted at 3.0m and staked. Street trees are not included owing to the loss of trees that frequently occurs when construction begins; and
- play equipment which is needed in the area and which meets all health and safety standards in its design and installation.

Pathways (including cycleways) which are requested by the Council to form part of an integrated transportation network will be paid for by the developer and will not generally form part of the reserve contribution. This will be so even when the land on which they are routed maybe agreed to become reserve land (other than road reserve) vested in Council. This can viewed in the same way as the road pavements and related infrastructure are inherently provided at the developers cost as part of its obligations to provide a properly provisioned and connected roading network to service the development. The same will apply to the creation and formation of supporting walking and cycling networks utilising pathways that contribute to a overall transportation network that equally service the development. This is in line with the goals and objectives of Council's Walking and Cycling Strategy, and recent District Plan amendments that seek to provide for better urban form, and a more sustainable land transport system that utilises transport modes other than those exclusively associated with just roads and motor vehicles.

The type of circumstances that would likely result in a pathway required to be provided by the developer that would not qualify as being considered being part of any reserve contribution assessment would include:

- Those situations where pathways are required to contribute to the development of an integrated transport network;
- Those pathways required to link between existing and through new developments by a succession of logically connected reserves;
- Where pathways are utilised in preference to on road facilities as maybe otherwise required by Councils roading standards;
- Where identified as part of, or contributing to, linkages identified in Council's District Plan (including Outline Development Plans), Structure and Township Plans, and the Council's Walking and Cycling Strategy; and
- Those situations that support the outcomes of the Design Guide for Residential Subdivision in Urban Living Zones.

Otherwise the Council, in its discretion, may view the pathway as more of an enhancement of a reserve that serves no real transport purpose for assessment as part of a reserve contribution. This is

where it may contribute to the localised function and amenity of a reserve, in conjunction with any other related improvements on a small and localised scale.

### **6.9.3. Stormwater management areas**

There has been a move away from regarding stormwater as something that must be disposed of as quickly as possible to seeing a stormwater system as an asset that has multiple values. This has changed the focus from underground pipes to above ground facilities which can include swales, retention basins, wetlands and streams, together with riparian planting. The objectives of the above-ground approach are to slow down stormwater run-off thereby reducing its destructive force, settling out solids, pollutants and silt, releasing the cleaner water slowly into streams which nurture riparian environments and gently release stormwater to the sea or to the ground. Landscape, recreation, ecology, and culture are thereby enhanced, in addition to land drainage.

A reserve contribution may therefore consist partly of land also required to be set aside and vested in the Council as a development contribution for the collection, retention and disposal of stormwater. While its primary purpose may be for stormwater management, the land can serve a secondary function as open space. Up to a maximum of a 20% credit may be gained on the basis of an area of land set aside for this purpose.

The gain for the community may be that the area of land is larger than a normal reserve, owing to the fact that parts of it may be sloping, wet or at some times be under water. The design of the stormwater management area should take this into account when siting features such as paths, seating, play areas and planting. Such areas can also be useful as green linkages to other publicly accessible open space. Clearly the location and design of the stormwater features must work from an engineering point of view. However, if the land is to serve as open space it should also meet relevant criteria set out above under paragraph 6.7, Criteria for Taking Land instead of Cash. Discussions should be entered into as early as possible if the developer is contemplating the inclusion of a combined stormwater/open space feature as it will be dependent on a number of factors which should be identified at the outset and may affect other infrastructure, for example, the transportation layout.

## **7. Stormwater – specific issues regarding development contributions assessment**

The District has a number of stormwater networks. Developments in towns with a stormwater network will be assessed on their merit as to:

- how stormwater created by the development should be managed; and
- what impact that stormwater discharge will have on existing systems to manage the new flow. Based on the specific assessments, a development contribution will be calculated.

## **8. Community centres - specific issues regarding development contributions assessment**

Community centre contributions will be taken for the construction of the Castle Hill community centre. The development contribution is \$550 per lot.

## **9. Development areas**

These are defined areas where the Council has established an Outline Development Plan (ODP) in the District Plan as a way to co-ordinate the development of land in fragmented ownership.

This involves the building of infrastructure by the Council to allow development to occur in an integrated fashion in keeping with community expectations for an urban area.

The cost of this infrastructure will be recouped from developers (who are the beneficiaries), by means of development contributions.

Note that this policy applies only to the areas identified below and not to all ODPs in the District Plan.

### **9.1 Rolleston Lowes Road ODP Area**

In its District Plan the Council has determined the position of roads and walkway/cycleways in the area to allow for orderly subdivision and for higher density (Living 1 zoning) north of Lowes Road.

#### **9.1.1 Planning Horizon**

A 20 year timeframe is being used as a basis for forecasting growth and applying a development contribution. This is consistent with the Council's activity management planning horizons. It has been assumed that 80% of the maximum development potential will be realised in this time.

#### **9.1.2 What is being provided?**

The Council will assume responsibility for the provision of the following infrastructure within the ODP area. Developers will be required to cover the proportion of costs indicated:

- all roads shown on the Lowes Road Outline Development Plan area as shown in the District Plan, including associated stormwater disposal and street lighting (90%);
- water and sewer pipes along the road corridors shown in the structure plan (90%);
- electricity and telephone infrastructure along the road corridors shown in the structure plan (90%);
- the purchase of land for and formation of walkways and cycleways shown in the ODP (50%); and

- upgrading of Lowes Road, Jozecom Place and Fairhurst Place (100%).

The balance of costs not funded from development contributions levied over this structure plan area will be funded by either the Council's general rates or development contributions for stormwater systems levied over the wider Rolleston area. The level of this funding reflects the Council's assessment of the distribution of benefits arising from the new infrastructure.

#### **9.1.3 Who gets charged?**

Developers in the area will pay the costs of infrastructure outlined above.

The Lowes Road Structure Plan area is comprised of three sub-areas. These are based on the road network which naturally divides into these areas which have different development intensities and therefore quite different roading costs. The cost of road upgrading has also been assessed separately for each area. In the same way, the costs of walkways/cycleways in the north have been treated separately from those in the south.

It is recognised that some allotments will receive a very high degree of benefit from the structure plan and that others will receive a lower degree of benefit.

Some developments derive direct benefits as they have direct access to the new roads. It is appropriate that these lots should pay a higher proportion of the costs of development than those who do not benefit so directly. There are other lots which pay a lower proportion as they have no direct access onto the new roads although they benefit from greater connectivity. These allotments will pay a 'low' charge. In the area north of Lowes Road there are a small number of deep allotments which benefit from new roading on one side but which will still need to provide substantial internal roading. These lots have been assessed to pay an intermediate amount.

In the north, 'low' benefitting properties pay 20% of what 'high' properties pay. 'Medium' benefitting properties pay 70%.

In the south, low benefitting properties pay 10%. This is because the need for roading in the south is less to do with general connectivity and more to do with providing access.

The level of benefit has been assessed for each allotment in the area (as at 1 January 2010). Contributions will be levied according to this assessment on the subdivision of the allotment and any on subsequent subdivision of child allotments.

Map 1 below shows the contributions applying to each allotment.



L1B Zone Boundary and Development Contributions

## 10. How to work out the development contribution payable

### STEP 1

Determine in which location within the District your development is to occur

### STEP 2

Go to the Development Contributions Schedule and identify the fees payable per unit of demand for your development contribution area

### STEP 3

Establish how many units of demand your development will create for each of the community facilities

### STEP 4

Multiply the units of demand (step 3) by the fee per unit of demand (step 2) to determine the total development contributions payable

Some schemes have a development contribution narration of 'LCA'. For these schemes, the assessment as at 1 March 2009 is that there is limited capacity available. Individual applications will be assessed on their impact to the supply.

In accordance with the Council's Development Contribution Policy, development contributions are indexed by CPI as at 31 December annually. Additionally, each development contribution, when imposed by the Council as a resource consent, notes that it will be indexed by CPI until paid.

## 11. Development contribution and connection fees

### NOTES:

All connections are subject to water capacity.

A standard 20mm water connection is where the Council main is within 20m of the consumer's point of supply. All other connections to be quoted.

Where the word 'Actual' appears this requires the connector to pay the actual costs of the physical connection from the Council system to the property boundary.

The Kirwee water supply despite having a development contribution, can only expand subject to changes to the existing resource consent for take from Environment Canterbury. Accordingly resource consents for subdivision will still be subject to the Council being able to achieve this change.

Some schemes have a development contribution narration of 'NCA'. For these schemes, the assessment as at 1 March 2009 is that there is no capacity available. Individual applications will be assessed on their impact to the supply.

## Forecast development contribution funding by significant activity

Activity	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	Annual Plan	LTP	LTP	LTP	LTP	LTP	LTP	LTP	LTP	LTP	LTP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Community Facilities	2,051	1,667	1,553	1,553	1,553	1,927	1,927	1,929	2,357	2,359	2,531
Transport	1,006	782	787	804	575	595	719	697	695	598	649
Water Races and Drainage	15	-	-	-	-	-	-	-	-	-	-
Stormwater	759	216	222	227	232	203	208	214	270	277	324
Sewerage	2,906	8,716	11,757	12,380	7,366	6,584	9,184	2,680	2,792	2,824	2,942
Water Supply	712	165	175	186	197	410	435	462	642	686	820
	7,449	11,546	14,494	15,150	9,924	9,720	12,473	5,982	6,754	6,743	7,265

## DEVELOPMENT CONTRIBUTIONS

For the year ending 30 June 2015

NCA = No Capacity Available

LCA = Limited Capacity Available – development contribution will be calculated on enquiry

Development contribution and connection fee per lot (including GST)							
Scheme		Water			Sewer		
		Standard water connection fee - see notes above	Development contribution	Total fee	Sewer connection fee - see notes above	Development contribution	Total fee
1	Armack Drive		NCA				
2	Arthur's Pass		NCA				
	Arthur's Pass (Sunshine Terrace)					NCA	
3	Branthwaite Drive	\$1,048	Refer Rolleston	Refer Rolleston			
4	Burnham	\$1,048	\$11,438	\$12,486			
5	Castle Hill		NCA			NCA	
6	Coleridge	\$1,048	\$6,914	\$7,962		NCA	
7	Claremont		NCA			NCA	
8	Darfield						
	Residential	\$1,048	\$8,460	\$9,508			
	Rural						
	Residential	\$1,048	\$8,460	\$9,508			
9	Darfield						
	Rural A Zone (3.5m <sup>3</sup> /day)	\$1,048	\$8,460	\$9,508			
	Rural B Zone (2.0m <sup>3</sup> /day)	\$1,048	\$8,460	\$9,508			

10	Doyleston	\$1,048	\$3,778	\$4,826	Actual	On enquiry	On enquiry
11	Dunsandel	\$1,048	\$6,782	\$7,830			
12	Edendale	\$1,048	\$11,381	\$12,429			
13	Fisherman's Point (Taumutu)		NCA				
14	Johnsons Road	\$1,048	\$5,084	\$6,132			
15	Jowers Road		NCA				
16	Kirwee Urban		NCA				
17	Kirwee Rural R		NCA				
18	Kirwee Rural A		NCA				
19	Kirwee Rural Extensions		NCA				
20	Leeston	\$1,048	\$3,778	\$4,826	Actual	\$7,357	Actual + \$7,357
21	Lincoln	\$1,048	\$ Nil	\$1,048	Actual	\$10,326	Actual + \$10,326
22	Malvern Hills Existing  This water supply services the townships of Glentunnel, Coalgate and Whitecliffs, including the 1999 Waireka Extension  A domestic connection is two units	\$1,048	\$5,645 per unit	\$1,048 + \$5,645 per unit			
23	Prebbleton						
	• Township	\$1,048	\$ Nil	\$1,048	Actual	\$10,326	Actual + \$10,326



	• Kingcraft Drive	\$1,048	\$ Nil	\$1,048			
24	Rakaia Huts	\$1,048	\$1,615	\$2,663			
25	Raven Drive		NCA				
26	Rolleston						
	Residential	\$1,048	\$ Nil	\$1,048	Actual	\$10,326	Actual + \$10,326
	Retail/Business/Industrial Zones in Rolleston, Lincoln, Prebbleton, and West Melton	\$1,048	On enquiry	On enquiry	Actual	\$72,282 per ha	Actual + \$72,282 per ha
27	Selwyn Rural Water Scheme (domestic connection is two units). (This water supply services the township of Hororata)	\$1,048	Headworks \$3,449 per unit  Upgrade to \$788 per unit	Headworks \$4,497 per unit  Upgrade to \$788 per unit			
28	Sheffield		NCA				
	Sheffield Rural		NCA				
29	Southbridge		NCA		Actual	\$7,237	Actual + \$7,237
30	Springston	\$1,048	\$2,328	\$3,376	Actual	\$10,326	Actual + \$10,326
31	Springston South Upper Huts		NCA			NCA	
32	Springfield	\$1,048	\$13,828	\$14,876			
33	Tai Tapu Township	\$1,048	\$7,346	\$8,394	Actual	\$11,955	Actual + \$11,955

	Rising Main SH75 (ncl CCC fee)				Actual	\$8,146	Actual + \$8,146
	Lincoln – Tai Tapu Road				Actual	\$8,647	Actual + \$8,647
34	Te Pirita		On enquiry				
35	West Melton	\$1,048	\$4,414	\$5,462	Actual	\$10,326	Actual + \$10,326
36	Whitecliffs		NCA				

Roading development contributions		
Area	Work for which contribution required	Fee (including GST)
Rolleston	Rolleston Drive/ Hoskyns Road/ State Highway 1	\$121 per Lot
Lincoln	Lincoln roading projects within the Lincoln MUL	\$664 per Lot
UDS	CRETS roading improvement projects	\$686 per Lot
Outside UDS any subdivision rural or residential	CRETS roading improvement projects	\$108 per Lot
Rolleston	New school road	\$304 per lot
Rolleston, land between Lowes Road and Goulds Road	New school road	\$1,618,718

Stormwater development contributions		
Area	Work for which contribution required	Fee (including GST)
Lincoln	Lincoln stormwater management	\$6,069 per Lot

Development area development contributions		
Area	Work for which contribution required	Fee (including GST)
Rolleston Lowes Road ODP Area		
• North High	New and upgraded roads, walkways and cycleways	\$24,420 per Lot
• North Medium	New and upgraded roads, walkways and cycleways	\$17,136 per Lot
• North Low	New and upgraded roads, walkways and cycleways	\$5,552 per Lot
• Fairhurst High	New and upgraded roads, walkways and cycleways	\$23,643 per Lot
• Fairhurst Low	New and upgraded roads, walkways and cycleways	\$8,956 per Lot
• Jozecom High	New and upgraded roads, walkways and cycleways	\$21,971 per Lot
• Jozecom Low	New and upgraded roads, walkways and cycleways	\$10,867 per Lot

## Water capital expenditure – funded by development contributions

Defined geographical area	Capital to occur from 1 July 2012 for growth	Total capital costs to recover from development contributions	Total capital costs to recover from other sources	Development contribution per lot (including GST)
Armack Drive	\$ -	\$ -	\$ -	NCA
Arthur's Pass	\$ -	\$ -	\$ -	NCA
Branthwaite Drive	\$ -	\$ -	\$ -	Refer Rolleston
Burnham	\$ -	\$ -	\$ -	\$ 11,438
Castle Hill	\$ -	\$ -	\$ -	NCA
Coleridge	\$ -	\$ -	\$ -	\$ 6,914
Claremont	\$ -	\$ -	\$ -	NCA
Darfield	\$ 800,000	\$ 800,000	\$ -	\$ 8,460
Doyleston	\$ -	\$ -	\$ -	\$ 3,778
Dunsandel	\$ -	\$ -	\$ -	\$ 6,782
Edendale	\$ -	\$ -	\$ -	\$ 11,381
Fisherman's Point (Taumutu)	\$ -	\$ -	\$ -	NCA
Johnsons Road	\$ -	\$ -	\$ -	\$ 5,084
Jowers Road	\$ -	\$ -	\$ -	NCA
Kirwee	\$ -	\$ -	\$ -	NCA
Leeston	\$ -	\$ -	\$ -	\$ 3,778
Lincoln	\$ 211,260	\$ -	\$ 211,260	\$ -
Malvern Hills Rural	\$ -	\$ -	\$ -	\$ 5,645
Prebbleton	\$ 648,176	\$ -	\$ 648,176	\$ -
Rakaia Huts	\$ -	\$ -	\$ -	\$ 1,615
Raven Drive	\$ -	\$ -	\$ -	NCA
Rolleston	\$ 3,397,059	\$ -	\$ 3,397,059	\$ -
Selwyn Rural	\$ -	\$ -	\$ -	\$ 3,449
Sheffield	\$ -	\$ -	\$ -	NCA
Southbridge	\$ -	\$ -	\$ -	NCA
Springfield	\$ -	\$ -	\$ -	\$ 13,828
Springston	\$ -	\$ -	\$ -	\$ 2,328
Tai Tapu	\$ -	\$ -	\$ -	\$ 7,346
Te Pirita	\$ -	\$ -	\$ -	On enquiry
West Melton	\$ -	\$ -	\$ -	\$ 4,414
Whitecliffs	\$ -	\$ -	\$ -	NCA
	\$ 5,056,495	\$ 800,000	\$ 4,256,495	

## Sewerage capital expenditure – funded by development contributions

Defined geographical area	Capital to occur from 1 July 2012 for growth	Total capital costs to recover from development contributions	Total capital costs to recover from other sources	Development contribution per lot (including GST)
Arthur's Pass (Sunshine Terrace)	\$ -	\$ -	\$ -	NCA
Castle Hill	\$ -	\$ -	\$ -	NCA
Coleridge	\$ -	\$ -	\$ -	NCA
Claremont	\$ -	\$ -	\$ -	NCA
Doyleston	\$ -	\$ -	\$ -	On enquiry
Eastern Selwyn*				\$ 10,326
Leeston	\$ -	\$ -	\$ -	\$ 7,357
Southbridge	\$ -	\$ -	\$ -	\$ 7,237
Tai Tapu	\$ -	\$ -	\$ -	\$ 11,955
	\$ -	\$ -	\$ -	

\* The Eastern Selwyn Sewerage Scheme area includes the townships of Lincoln, Prebbleton, Rolleston, Springston and West Melton. The capital expenditure that the Council expects to incur to meet the increased demand resulting from growth and the proportion of that expenditure that will be funded by development contributions and other sources is identified in paragraph 4.8 of the policy.

## Stormwater capital expenditure – funded by development contributions

Defined geographical area	Capital to occur from 1 July 2012 for growth	Total capital costs to recover from development contributions	Total capital costs to recover from other sources	Development contribution per lot (including GST)
Lincoln	\$ 822,211	\$ 822,211	\$ -	\$ 6,069
	\$ 822,211	\$ 822,211	\$ -	

## Roading capital expenditure – funded by development contributions

Defined geographical area	Capital to occur from 1 July 2012 for growth	Total capital costs to recover from development contributions	Total capital costs to recover from other sources	Development contribution per lot (including GST)
District	Varies per consent	Varies per consent	Varies per consent	Varies per consent
UDS area - CRETS	\$ 13,718,749	\$ 6,713,095	\$ 7,005,654	\$ 686
L1 River Pathway Lincoln	\$ 206,000	\$ -	\$ 206,000	\$ -
Broadlands Dr Extension Stage 2	\$ 1,008,398	\$ -	\$ 1,008,398	\$ -
	\$ 14,933,147	\$ 6,713,095	\$ 8,220,052	

## Reserves capital expenditure – funded by development contributions

Defined geographical area	Capital to occur from 1 July 2012 for growth	Total capital costs to recover from development contributions	Total capital costs to recover from other sources	Development contribution per lot (including GST)
District - various reserves	\$ 5,237,130	\$ 5,237,130	\$ -	Varies per consent
Darfield	\$ 433,300	\$ 433,300	\$ -	Varies per consent
Lincoln	\$ 3,262,004	\$ 3,262,004	\$ -	Varies per consent
Prebbleton	\$ 7,118,201	\$ 3,441,320	\$ 3,676,881	Varies per consent
Rolleston	\$ 11,444,318	\$ 8,952,318	\$ 2,492,000	Varies per consent
West Melton	\$ 1,962,774	\$ 1,626,894	\$ 335,880	Varies per consent
	\$ 29,457,727	\$ 22,952,966	\$ 6,504,761	

1. The Prebbleton Community Centre will be partially funded by development contributions of \$500,000 in 2021.
2. The Rolleston community centre will be partially funded by development contributions of \$3,000,000 in 2013.
3. The West Melton Community Centre will be partially funded by development contributions of \$1,000,000 in 2020.

## Development area capital expenditure – funded by development contributions

Defined geographical area	Capital to occur from 1 July 2012 for growth	Total capital costs to recover from development contributions	Total capital costs to recover from other sources	Development contribution per lot (including GST)
Rolleston Lowes Road ODP Area	\$ 5,145,038	\$ 4,511,338.56	\$ 633,699	\$5,552 to \$24,420 per Lot