

Development Contributions and Financial contributions Policy

December 2021

Development Contributions and Financial Contributions Policy

REVISION HISTORY

Date Created:	08.08.2017
Review Date:	14.12.2021 (late adoption)
Department:	Finance
Responsible Officer:	Finance Manager
Sponsor:	General Manager – Corporate Services
Approved by:	Chief Executive Officer and Adopted by Council
New Review Date:	31.03.2024

INTRODUCTION

The Mackenzie District is experiencing significant growth in its population, visitors, development and the local economy. This growth generates high levels of subdivision and development activity increasing demand for assets and services provided by Council.

In response to this development, Council can seek contributions towards the expansion of the district's reserves, community facilities and infrastructure from those developments which place additional demand on these services. Council may levy these contributions through –

- a. Development contributions as defined by Part 8(5) of Schedule 13 of the local Government Act 2002;
- b. Financial contributions as required by the District Plan prepared in accordance with the Resource Management Act 1991.

This Policy has been prepared within the wider context of Council's overall financial management policies and is consistent with the provisions of Council's Revenue and Financing Policy, providing for financial contributions to be used as part of Council's overall approach to funding capital expenditure.

OBJECTIVES

This policy is intended to assist the Council to achieve the following objectives:

- Enable Council to plan for and fund infrastructure and facilities that meets the anticipated growth requirements of the district;
- Enable a share of the costs Council incurs to provide infrastructure to be fairly and equitably recovered from those directly benefiting from Council infrastructure.

ASSETS TO BE INCLUDED

- Network infrastructure for water supplies, wastewater, stormwater and transportation;
- Reserve land;
- Community infrastructure including the development and acquisition of reserve land to use as reserve and facilities needed on that reserve and other public amenities such as halls, libraries, public toilets, and parking facilities.

DEFINITIONS

- Allotment:* has the meaning as prescribed by section 218(2) of the Resource Management Act 1991.
- District Plan:* the Operative Mackenzie District Plan including any proposed plan or variation.
- Minor Unit:* a residential unit of not more than 50m² gross floor area and of not more than 4 metres in height above natural ground level.
- Multi-unit Residential Development:* any development involving more than one residential unit per allotment and includes flats, townhouses, retirement villages, and visitor accommodation.
- Residential Unit:* a single self-contained housekeeping unit, whether of one or more persons, and includes accessory buildings. Where more than one kitchen facility is provided on site, there shall be deemed to be more than one residential unit.
- Residential Unit Equivalent:* calculated by dividing the total number of people that a multi-unit residential development is designed to accommodate by the deemed average occupancy of 2.6 people per household.
- Visitor Accommodation:* the use of land and buildings for short-term, commercial living accommodation where the length of stay for any one visitor is not greater than three months at any one time.

DEVELOPMENT CONTRIBUTIONS

The Council has chosen not to levy any development contributions under the provisions of the Local Government Act 2002.

FINANCIAL CONTRIBUTIONS

Financial contributions are levied under the provisions of the Resource Management Act 1991 and incorporated in the relevant sections of the Mackenzie District Plan. Financial contributions are required for the provision of open space and recreation, infrastructure services, and car parking provision as set out by the District Plan and this policy.

With the exception of roading, for which no financial contributions are sought, Council has not assumed growth for the Long Term Plan period in excess of capacity within the existing facilities and services for which financial contributions are sought. Where growth may require new or additional services, such work is

undertaken by developers. Council does not, therefore, seek financial contributions for capital expenditure in regard to growth. Instead, funding from financial contributions will fund the extension of asset life of each activities for which contributions are sought.

The following table lists the capital expenditure for each activity to be funded by financial contributions for the period 2021-2031:

Activity	2021-2031 Total
Water	\$ 16,405,744
Sewer	\$ 11,651,636
Stormwater	\$ 3,221,655
Reserves	\$115,500

1. Reserves Contributions

Reserves contributions are required under the provision of Section 13 of the District Plan. These cash contributions shall be made towards the provision of land for open space in the locality, land for recreational facilities, and maintenance of recreational facilities. Full details of the contributions are contained within the District Plan.

1.1 Subdivision

Under provisions of the District Plan, financial contributions towards the provision of open space and recreation where any subdivision creates separately saleable, additional allotments for residential or visitor accommodation purposes, within any zoning excluding within Aoraki/Mt Cook National Park are required.

Within all zones, excluding the Rural and Rural-Residential zones, the contribution is levied at 5% of average cash value of the allotments created, calculated in accordance with the following calculation:

$$5\% \times (a-b) \times c$$

Where:

a = the number of allotments authorised by the subdivision consent and includes:

- i. Vacant allotments, including vacant parts of allotments for cross-leases and unit titles; and
- ii. Allotments created after the erection of a household unit, or where the subdivision and building consent for the household unit are issued in conjunction with one another:

b = number of allotments in the land prior to the subdivision (which were held in separate Certificates of title or for which Certificates of title could be issued without consent of the Council) that when created (either pursuant to a resource consent or previous legislation) complied with the minimum subdivision standards for their respective zones or standards contained in the Plan

c = the average per allotment market value (\$) of all allotment's in the subdivision, determined at the date on which the subdivision is granted, as if the allotments had been subdivided in accordance with the subdivision consent. The value of land for the purposes of determining the average cash value of allotments shall reflect the value of the lots in the completed development

Within the Rural and Rural-Residential zones, the financial contribution towards the provision of open space and recreation is limited to 5% of the average value of 1500m² of each lot, assessed as a site for a residential unit.

1.2 Residential Development

The financial contribution policy also applies to new or additional residential units with the cash contribution towards the provision and maintenance of open space and recreation being levied at the following rate:

Cash equivalent of 20m² of land for each additional residential unit created.

This contribution is levied at the time of building consent, less any contribution made at the time of subdivision in accordance with 1.1 of this policy.

No contributions are required for additional residential units for the sole purpose of providing farm workers accommodation.

Note: a single residential unit is deemed to include a minor residential unit as defined by the District Plan.

1.3 Visitor Accommodation

For visitor accommodation, the contribution is required as follows:

Cash equivalent of the value of 2m² of land for each additional 100m² of new, net area of visitor accommodation building floor area.

This contribution is levied at the time of building consent, less any contribution made at the time of subdivision in accordance with 1.1 of this policy.

2. Water, Sewer and Stormwater Contributions

The Council also levies financial contributions towards water, sewer and stormwater infrastructure.

A key issue from the provisions of the District Plan is the costs of infrastructure. It is recognised that development adds incrementally to demands on the infrastructure of the District. The District Plan's rules are designed to require new development to contribute a fair and reasonable sum towards the cost of that demand unless it is replacing an existing development. A fair and reasonable share of costs needs to recognise:

- That to manage and develop land (a natural resource) in an orderly and efficient way, it is appropriate to install public utility services (a physical resource) for whole catchments in anticipation of development;
- That there is a need to provide for people and communities' economic and social wellbeing by equitable sharing of costs of utility services over time;
- That works and the costs required for servicing specific areas or developments should be borne by the developers to the extent attributable to the development.

Where adequate public utilities are already in place, it is considered appropriate to enable people and communities to provide for their social and economic benefit, that all users of public utility services (eg water supply, sewerage and stormwater drainage) contribute to these services. New ratepayers otherwise “freeload” on the value and capacity of the asset provided by earlier generations and developers. In this way the Council can confidently plan its servicing to provide for the reasonably foreseeable needs of current and future generations. Financial contributions towards existing infrastructure are based on a “recognised equity” model involving contributions by developers equivalent to the equity held by existing ratepayers in the existing utility service infrastructure.

Contributions are set to ensure a reasonable degree of certainty for developers.

The formula used to calculate the contributions is
$$\frac{V-L}{R}$$

Where:

- V = Latest independent valuation of the water supply/sewerage system/stormwater system plus the value of any capital additions made since that time and less the value of depreciation charged since the date of the valuation.
- L = Capital reserve balance with water supply/sewerage system/stormwater system as at 1 July each year. (The reserve may be in funds or overdrawn resulting in a positive or negative balance.)
- R = Number of connectable properties (or properties for stormwater) contributing to the asset as at 1 July each year.

If subdivision or development should require the provision of additional or new services, a contribution towards the cost of this provision shall be met by the developer.

For the purposes of this requirement, ‘development’ shall mean the construction, erection or alteration of an industrial, service, commercial, recreational, community activity of visitor accommodation with a value of \$100,000, or more than one residential unit on an allotment.

The contribution towards new and future services shall be made as payment of money, provision of land, or any combination of money and land, with the maximum contribution being the actual costs of providing the service to and/or within the land in the subdivision or the site of the development.

2.1 Subdivision

Subdivision of land provides a framework of services for subsequent purchasers of new allotments who have an expectation that services will be available. New subdivision may also give rise to demands for the upgrading of existing services as a direct consequence of the subdivision.

The provision of services within the subdivision is cost recoverable from the sale of allotments and can be imposed on a subdivider at the time of subdivision development. Furthermore, where a subdivision creates a demand for upgrading services outside of the subdivision, the Council is justified in recovering costs attributable to the subdivision itself.

In the event of a subdivision being reticulated with water, sanitary sewage, and/or stormwater connections, financial contributions for these services will be levied at the rate of the contribution as determine in part 2, above for each allotment reticulated with the service, less any contribution paid at the time of a previous subdivision.

2.2 Residential Development

Financial contributions may be required for developments as well as subdivision. For this purpose a development means the construction, erection of an industrial, service, commercial, recreational community activity or visitor accommodation with a value of \$100,000 or more, or more than one residential unit or lot, excluding a single minor unit.

Financial contributions for reticulated services will be payable at the rate of one contribution for each reticulated service provided to the site, per additional residential unit.

Financial contributions will be required to be paid at the time of building consent, unless otherwise specified by condition of resource consent.

2.3 Visitor Accommodation

Financial contributions towards the provision of reticulated services shall be levied in accordance with the residential unit equivalent for each service, less any contribution made at the time of subdivision.

Financial contributions will be required to be paid at the time of building consent, unless otherwise specified by condition of resource consent.



3. Car Parking

Section 15 of the District Plan specifies the requirement for the provision of car parking spaces within all zones, excluding the Village Centre zone in Fairlie. In accordance with the provisions of the District Plan, a cash payment may be made in lieu of all or part of the parking requirement in areas where Council is anticipating the creation of public parking that would serve the area of the development.

The contribution is to be made at the rate of the cash equivalent of 25m² at the current market value of the land, per car parking space required.

REVIEW

This policy is to be reviewed every three years and may be amended at any time prior if required.

Council is considering future use of development contributions. Council's next Policy on Development Contributions and Financial Contributions will reflect this change if inclusion of Development Contributions is deemed appropriate.

The Mackenzie District Plan is currently under review. Should provisions for financial contributions be changed by means of this review, the Policy on Development Contributions and Financial Contributions will be reviewed accordingly.

Policy on Development Contributions and Financial Contributions

Adopted by: Council

Adopted date: 14 December 2021

Review date: 31 March 2024



Mackenzie

DISTRICT COUNCIL