

16 Financial Contributions

16.1 Introduction

The use, subdivision and development of land may cause adverse effects on the environment, the avoidance, remedying or mitigation of which may impose costs on the community in a number of ways. Significant costs arise when providing works and services such as roads, reserves and community facilities, for the benefit of land that is used, subdivided or developed.

Financial contributions are a means (provided for in the Resource Management Act) of funding the avoidance, remedying or mitigation of adverse effects of subdivision and development that cannot be addressed on site. A financial contribution may be in the form of money or land or a combination of these. The money may be required to be paid (or land transferred) by subdividers or developers to the Council or to a third party. The Resource Management Act requires the plan to state the purposes of financial contributions, and the manner of determining the level of the contribution.

16.2 Issue – Subdivision, Use and Development of Land

Private land subdivision and development imposes costs on the community by increasing demand for utility services and reserves.

OBJECTIVES	POLICIES
<p>16.2.1 Developers pay the costs of adverse effects on the environment arising from their private land subdivision and development.</p>	<p>16.2.2 The costs of and responsibility for avoiding, remedying, and mitigating effects of activities should be borne by the subdivider and developer.</p> <p>16.2.3 Subdividers and developers should:</p> <ul style="list-style-type: none"> (a) meet the cost of network utilities necessary to avoid, remedy, mitigate or offset the effects on the environment of the subdivision or development, and (b) meet the total costs of on-site services for a subdivision or development, including linkages to network utilities and the costs of local upgrading of network utilities to ensure that the activity or linkage does not adversely affect the functioning of those network utilities, and (c) contribute towards any previous upgrading of network utilities of which the excess capacity is utilised, and (d) meet the costs of additional or enhanced network utilities and services arising from the activity, including the road network and the provision and development of reserves and community facilities.

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OBJECTIVES	POLICIES
<p>16.2.4 Reserve contributions are made to offset the effects of increased demand for reserve facilities and public land generated by subdivision for residential purposes.</p>	<p>16.2.5 Subdividers and developers of land for residential purposes should meet the costs of the provision and development of reserves and community facilities to avoid, remedy or mitigate adverse effects that cannot be addressed on site.</p> <p>16.2.6 Financial contributions should be calculated on a flat rate basis for new allotments, and should be made at the earliest possible stage of the development process.</p> <p>16.2.7 Cash contributions should be taken in preference to land except where there are particular advantages in taking land.</p> <p>16.2.8 The level of contributions to be imposed on new subdivision or developments should be reviewed every five years to take account of changing values and community needs.</p> <p>16.2.9 Contributions should be allocated across the district to meet district-wide priorities identified under the long-term council community plan.</p>

Note: Reasons and explanations are included in the text below about the purposes of contributions and how they are calculated.

16.2A Reasons and Explanations

16.2A.1 Local upgrading

The costs of on-site services, and linkages and local upgrading are not the subject of financial contributions, but are works arranged and paid for by the developer. Local upgrading might include off-site works, for example, intersection improvements where a local road meets an arterial road some distance away, to preserve the functioning of that intersection following the introduction of traffic generated by a development. This upgrading is to avoid, remedy or mitigate the direct local effects of a development.

16.3 Methods of Implementation

16.3.1 Regulatory Methods

- (a) Rules that provide for financial contributions from subdividers and developers.
- (b) Rules that require the vesting of new roads, utilities and reserves in the Council once construction or development is complete.

16.3.2 Council Works and Services

- (a) The Council will investigate other ways of assisting the community to meet its recreational needs. These may include seeking grants from appropriate agencies, or through sponsorship. Other means such as endowments, covenants or access agreements will also be considered.

16.4 Anticipated Environmental Results

ISSUE	ANTICIPATED ENVIRONMENTAL RESULTS
<p>16.4.1 Subdivision, use and development of land</p>	<p>(a) Implementation of a simple system of collecting financial contributions.</p> <p>(b) Provision of utilities and reserves through development and the provision of facilities to meet the needs of the community.</p> <p>(c) Provision of further utilities, reserves and facilities through contributions from developers creating growing demands.</p> <p>(d) Infrastructure that can sustain environmental and community wellbeing, health and safety.</p> <p>(e) Payment by subdividers and developers of the full costs related to the effects of their activities.</p> <p>(f) The enhancement of existing reserves through development and the provision of facilities in accordance with the Council's strategy.</p> <p>(g) The provision of further reserves and facilities through contributions from new consumers who will place further demands upon them.</p> <p>(h) The protection and enhancement of areas of high historic, scenic, natural or scientific value.</p> <p>(i) Deleted</p>

16.5 Rules

16.5.1 Conditions on Resource Consents

- (a) Except for allotments where a financial contribution has been paid, every additional allotment created through subdivision shall as a condition of consent pay such financial contributions in accordance with this chapter as are relevant for those facilities that will be accessed by that allotment.
- (b) Except for
 - allotments created for roads, access, network utilities or reserves, or
 - the development of a network utility site, or
 - allotments created for electricity generation facilities and ancillary infrastructure not requiring connection to Council approved services or infrastructure,
 - every new allotment for which any network utility (except rural water supply) is available, and which is not connected to that service shall make financial contributions for all network utilities available to that allotment.
- (c) Electricity generation developments are exempt from the need to pay reserves contributions.

16.5.2 Purposes for Which a Contribution May Be Required or Used

It is not intended that public funding pays for the infrastructure capacity necessary to avoid, remedy or mitigate the adverse effects of private development. Adverse effects of individual subdivisions and activities can be avoided, remedied and mitigated by the provision of community infrastructure. The financial contributions in this plan relate to the road network and reserves. They relate only to the

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Council's own infrastructure and not to infrastructure of other service providers who will have their own charging regimes.

Road contributions will be used for, but not limited to:

- vertical and horizontal alignment enhancement including corner improvement and intersection redesign, and
- increasing the width of the carriageway, and
- kerb and channelling and other stormwater management and discharge facilities; and
- increased maintenance or renewal costs and/or level of service provided in relation to reserves and walkways vested in Council in the Rangitahi Peninsula Structure Plan Area in Raglan.

Parking contributions in town centres will be used for but not limited to:

- provision of Council-owned parking areas for the town centre.

Reserves contributions will be used for, but not limited to:

- reserve development, according to currently identified priorities, as set out in the long-term council community plan.
- increased maintenance costs and/or level of service provided in relation to reserves and walkways vested in Council in the Rangitahi Peninsula Structure Plan Area in Raglan.

16.5.3 Method for Determining Amount of Contribution

For the method for determining separate financial contributions, refer to:

Infrastructure	Section
Roads	16.8
Town Centre Parking	16.9
Reserves	16.10

Goods and Services Tax is to be added to all contributions.

16.5.4 Assessment

Matters that will be considered when deciding whether or not to impose a financial contribution, the type or types of contribution, and the amount of contribution are:

- whether adverse effects are likely to occur and the potential scale of those effects notwithstanding any measures taken to avoid, remedy or mitigate those effects
- the degree to which the activity has sought to avoid, remedy or mitigate those adverse effects addressed through the financial contributions
- whether approving the resource consent and requiring a financial contribution more effectively promotes sustainable resource management and better achieves the objectives and policies of the plan than declining the consent, or approving the consent without the need for a financial contribution
- the value of the contribution shall relate to the significance of the adverse effects, the extent to which the activity causes the adverse effects, and measures undertaken to avoid, remedy, or mitigate the adverse effects
- in the case of subdivision, the value of the contribution is to be calculated at the date the section 224 certificate is issued.

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16.8 Roads

16.8.1 Introduction – Subdivision

The assessment of a financial contribution for roads is based on recognised equity, which recognises the equity of current allotments and requires new allotments to make an equal contribution. This would be the financial contribution required as a condition of resource consent for subdivision. This maintains an equivalent equity for each allotment accessing a public road. Financial contributions shall be payable for every additional lot and any other new lot created where the parent lot is not capable of development as of right under this plan.

The equity is the investment of existing allotments necessary for road capacity or safety improvements, or to ensure positive effects on the environment to offset any adverse road or traffic effects. This means the financial assistance and loans need to be subtracted from the road valuation. Land value is subtracted as all developments pass the value of the land to the Council when they vest the subdivision's roads. Moreover, some of the land used for roads is gifted to the Council.

In essence, the capital expenditure per allotment is a constant (on average over a 15-year span because of the lumpiness of investments). In the very long-term, the capital expenditure per allotment will decline but since the general contribution is recalculated every year, the decline will be imperceptible in the short-term.

Any non-road allotment could be sold without input from the Council. The equity held by the existing allotments is discounted back into the value of their allotments and so number of non-road allotments is the appropriate figure.

The general contribution addresses the cumulative and indirect effects of additional allotments resulting from subdivision. This option is simple to calculate and is an appropriate model for general levies, where equity per allotment should be maintained and there is no explicit price charged to road users for the service provided.

16.8.2 Introduction – Land Use

Frequent use of roads by new activities that generate significant increases in heavy vehicle or other traffic volumes can result in the need to increase the vehicle capacity of the road network. This can impose substantial additional costs for capital and upgrading investment in the district's roads. It is considered fair that these new activities contribute financially towards the real and actual costs of upgrading the district's road network to the standard required to support the new activities at the time that the developments commence operation.

The recognised equity model also provides for specific fees, including heavy traffic impact and increased traffic fees, where the traffic volumes or types are a significant factor.

It is impractical to prescribe a single formula assessing the impact of these activities on district roads. Factors such as diversity of activities and the varying quality of roads in the district require that each proposal is considered on its own merits. This approach will allow the impacts of a particular proposal to be evaluated on an individual basis

16.8.3 Direct Mitigation – Subdivision and Land Use

The direct mitigation of adverse effects is undertaken by conditions on resource consents requiring works to develop roads, bridges, footpaths and other related features within the development and connecting the development to the Council's road network. This work is completed to the Council's standards and at the developer's expense before connection to the Council's network. All changes to the road network directly occasioned by the development are completed at the expense of the developer.

When calculating the direct costs the Council will take into account future developments in the area. The Council will bear any costs for conditions relating to future capacity it may impose upon the construction of the road or bridge.

Such a formula suits network utilities where funds can be put aside for spending when appropriate.

16.8.4 Contribution – Subdivision

The financial contribution is the estimated equity per allotment and is calculated by:

- valuing the road assets (excluding the value of the land) employed in providing the service (from the road valuation)
- calculating the Council's equity in those assets (deduct the Land Transport New Zealand financial assistance and any outstanding loans)
- dividing by the number of existing allotments.
- In relation to the Rangitahi Peninsula Structure Plan Area in Raglan, the amount of contribution for the purpose of increased maintenance and/or level of service for roads and streetscape features shall be up to the maximum of 1% of the land value of each developed lot. For the purposes of this rule, land value shall have the meaning set out in the Valuation of Land Act 1951. The land value shall be fixed at the date of issuing the s224 c certificate in respect of the relevant subdivision and shall be based on an assumption that all conditions of the relevant subdivision consent have been complied with. The Council will only apply a financial contribution for the same purpose if funds have not been secured by way of a targeted rate or developer agreement.

16.8.5 Timing and Imposition

Physical works for roads, bridges and road amenities are all part of the initial development of the subdivision. Accordingly, the financial contribution attached to subdivision shall be payable before issue of the section 224 Certificate.

Recognised equity (RE) formula:

$$\text{Recognised equity} = \frac{(\text{Asset value} - \text{Land value} - \text{Financial assistance} - \text{Loans})}{\text{Number of Allotments}}$$

That is, asset value, less land value and less any financial assistance or loans, shared between all allotments.

Where:

- asset value is the optimised-depreciated replacement cost value of the road network from the annual update of the Council's road valuation
- land value is the land value of the road network from the Council's road valuation
- financial assistance is the component of capital expenditure that is subsidised by Land Transport New Zealand
- loans is the value of the loans outstanding at the date of the Council's road valuation
- number of allotments is the number of non-road allotments in the district at the date of the Council's road valuation.

The assumptions in the formula are:

- capital expenditure on roads is, on average, the same per allotment. Accordingly, new allotments should contribute the same capital expenditure as existing allotments
- valuations used fairly represent the value of the road network and road amenities. This, on a district or urban/rural split, is a reasonable assumption. The higher the levels of detail the greater the margin for error in the valuations. The valuations are based on values set by valuation experts, they are updated every year and they are reviewed every three years
- depreciated replacement costs are optimised
- loans include all internal and external loans
- all allotments are capable of generating traffic.

The heavy-vehicle impact fee and special increased traffic fee will be calculated on an equivalent recognised equity as appropriate for individual developments where traffic generation varies significantly from standard individual allotment levels.

16.8.6 Contribution – Land Use

Activities generating significant traffic effects such as transport depots, extractive industries, meat works, primary products and timber processing industries, power stations, construction works for state highways, refuse disposal, supermarkets, service stations, and intensive residential development can impose substantial costs through a need for capital road construction or upgrading. Issues relating to the use and upgrading of district roads shall be addressed prior to submission of an application for resource consent. The developer of any such proposal shall consult with the Council on proposed consent conditions for use of district roads.

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For resource consent for any activity generating significant increases in heavy vehicles or other traffic volumes the Council may attach a condition for a financial contribution if this is necessary for road capacity improvements. Also, the Council may include a financial contribution as a condition of a permitted activity generating significant increases in heavy vehicles or other traffic volumes. These financial contributions shall be used for infrastructural and capacity improvements directly related to and necessitated by the development and not for maintenance associated with the normal use of the road.

The Council shall determine the level of road contribution in the following manner, namely, by having regard to:

- frequency and type of vehicle movements proposed
- routes to be used
- level of rating
- other factors that may compensate for any increased effect or demand on roads and traffic services.

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16.10 Reserve Contributions

(a) Reserve contributions for reserve purposes shall be accepted either by way of money or land, or a combination thereof to the maximum value as specified below.

(b) The reserve contribution is \$1,250 plus GST per allotment or dwelling.

(b a) In relation to the Rangitahi Peninsula Structure Plan Area in Raglan, the amount of contribution

for the purpose of increased maintenance and/or level of service for reserves and walkways shall be up to the maximum of 1% of the land value of each developed lot. For the purposes of this rule, land value shall have the meaning set out in the Valuation of Land Act 1951.

The land value shall be fixed at the date of issuing the s224 c certificate in respect of the relevant subdivision and shall be based on an assumption that all conditions of the relevant subdivision consent have been complied with. The Council will only apply a financial contribution for the same purpose if funds have not been secured by way of a targeted rate or developer agreement.

(c) The Council will require this cash contribution, subject to paragraph (c), as a flat rate over the district for each additional allotment created that does not contain an existing dwelling. This dollar amount is in the year 2004 terms and shall be adjusted at the same rate as the Producers Price Index.

(d) The Council may require or accept a land contribution (or a combination of land and cash) to a maximum value equivalent to the cash contribution where it considers that such land will be desirable, according to the following criteria:

- whether the land adjoins an existing public reserve or facility and adds to the usefulness of the reserve or facility, and
- whether the land could immediately, or in the foreseeable future, link parts of the existing reserve network, and
- whether the land, if given reserve status, could protect or enhance significant natural, scientific, historic or scenic resources, including a heritage item, outstanding natural features or landscapes, or significant indigenous vegetation or habitat, and

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- whether there is an identified shortfall of reserve land or facilities requiring further land area, and this development would create a further need for reserve areas.
- (e) When considering a land contribution, the Council will consult with landowners and other parties such as iwi, the Historic Places Trust, and the Department of Conservation as appropriate to determine what form of contribution shall be required.
- (f) Where a substantial esplanade reserve is vested in the Council as a condition of subdivision consent then a reserve contribution may be reduced or waived.

Note

While some contributions are taken at subdivision time, the overall effect of the rules will be one contribution per dwelling.

16.11 Application of Reserve Contributions for Reserves

The reserve contribution shall be paid for each additional allotment created by subdivision upon which a dwelling may be built, excluding:

- (a) allotments created in an industrial or business zone, and
- (b) allotments created for authorised industrial or commercial purposes in other zones, and
- (c) allotments created for authorised public utilities, and
- (d) any other allotment not capable of development as of right under the plan, or too small to be built on, and
- (e) any allotment containing an existing dwelling house, and
- (f) any additional dwelling on an existing allotment.

16.12 Reasons and Explanations

Subdivision, use and development of land creates demand for road access, public reserves and community facilities. In the absence of intervention through the plan, costs of providing services, and of avoiding, mitigating or remedying other effects will fall on the community generally, rather than specifically on the people who benefit from the facilities.

16.12.1 Deleted

16.12.2 Town Centre Parking

The Council owns and manages public parking areas in the town centres as an alternative to on-site parking being provided by individual landowners in the town centre. The financial contribution funds the development of these public parking areas. This is a more efficient method of providing parking, as it provides a larger pool of spaces, with less impact on traffic safety and efficiency than if provided on individual properties.

16.12.3 Reserve Contributions

Reserve contributions on new developments are made necessary by the additional demand generated by new residents. While most maintenance costs and some development costs are covered through the general rate, new consumers will pay a buy-in fee, which will help pay for additional reserve areas or facilities and the further development of current facilities.

Reserve contributions are taken for all new residential development because as the population grows extra demands are placed on recreational facilities. It is assumed that each dwelling generates the same recreational demand and so a flat rate applies. As increased recreational

demand relates to additional dwellings, contributions should ideally be taken before dwellings are built. Therefore, wherever possible, contributions are taken at subdivision time rather than when dwellings are built. Contributions will also be taken for the second and subsequent dwellings on allotments when subdivided. The long-term effect of this policy is that one reserve contribution is taken for each dwelling. Some subdivisions and some developments such as commercial and industrial ventures do not directly increase demands on reserves and contributions are not required in these situations.

In relation to the Rangitahi Peninsula Structure Plan Area in Raglan, the District Plan makes provision for a reserves contribution to cover the increased maintenance costs and/or level of service associated with reserve and walkway assets to be vested in Council. This tool is available to Council only as an alternative to other potential mechanisms, such as a developer agreement or targeted rates. Although the District Plan cannot direct how the Waikato District Council carries out its functions under other pieces of legislation, the intention is that if Council chooses to take a financial contribution for increased maintenance costs and/or level of service, it will not then introduce a targeted rate for the same purpose.

16.12.4 Cash

The Council will concentrate on securing cash contributions at the development and subdivision stage, rather than accepting areas of land. The Council will, however, consider land contributions in circumstances where this would provide a benefit to the community, ensure the protection of a high-quality resource, heritage item, significant indigenous vegetation or habitat, outstanding natural feature or landscape, or where a particular local shortfall of reserve land is identified.

The reserve contribution amount is derived from the projected cost of developing reserves over the next 10 years and the number of dwellings expected to be built during that period. The long-term council community plan indicates a proposed 10-year programme for expenditure on reserves. A substantial amount of this will be funded from reserve contributions.