

Development Contributions Policy

1.0 Introduction

Council is required under the Local Government Act 2002 (LGA) to have a policy on development contributions or financial contributions in its Long Term Plan (LTP).

Council first adopted a Development Contributions policy in 2008. The policy was amended in 2009, 2011, 2012, 2014 and 2015.

The substantive part of this policy is contained in Part 2. This sets out how and when development contributions are assessed, as well as provisions relating to payment of contributions such as when payments are due; enforcement and remission of payments. This part is read with the schedule of contributions at the end of the policy.

Part 3 provides background to Part 2. It sets out how the charges have been developed.

A summary of the financial contribution provisions in the Gisborne District Combined Regional Land and District Plan (District Plan), which were adopted under the Resource Management Act 1991 (RMA), is provided in Part 4 of the policy.

Part 5 addresses the review of the Development Contributions policy and revision of the contribution rates.

The schedules to the policy contain further detail about development and implementation of the policy. This includes development contribution rates and development contribution catchment maps. It also lists the assets/programmes of work that development contributions and financial contributions fund.

The glossary is contained in Part 6.

2.0 Assessment of Development Contributions

2.1 Commencement

Relevant applications (as set out in section 2.3) made on or after **1 July 2015** are subject to assessment for development contributions under this policy.

Applications made on or after **1 July 2008** and before **1 July 2015** will be subject to assessment under previous policies.

Applications for resource consent may also be subject to assessment for financial contributions under the Part-Operative District Plan.

2.2 Delegation of assessments

Assessments will be made by an officer of Council.

Reconsideration of assessments as described in 2.20 of this Policy, will be undertaken by the Group Manager of Engineering and Works or Group Manager of Environmental and Regulatory Services.

Decisions about whether to enter into development agreements and on what terms will be made by the Group Manager of Engineering and Works and Group Manager of Environmental and Regulatory Services.

Decisions about waiving or remitting the costs that would otherwise be recoverable in respect of objections will be made by the Group Manager of Environmental and Regulatory Services.

Decisions about remitting development contributions will be made by the Group Manager of Engineering and Works or the Group Manager of Environmental and Regulatory Services.

2.3 Applications assessed

Council will assess the following types of applications to determine whether development contributions are required under this policy:

- a. Applications for subdivision resource consent under the RMA.
- b. Applications for land-use resource consent under the RMA, or for building consent or a Certificate of Acceptance under the Building Act 2004 (Building Act) where the consent/certificate is associated with:
 - i. the creation of new dwellings (including relocation of existing houses) on a site
 - ii. the creation of new buildings or extension of the gross floor area of buildings
 - iii. the change in use of a building
 - iv. an increase in the design occupants of a visitor accommodation or residential services activity
 - v. an increase in the amount of impervious surfaces.
- c. Applications for service connection including water, wastewater, trade waste and stormwater.

The assessment will be made against the first consent application lodged for a development and a reassessment made on every subsequent consent application. Provided that:

- The Council may choose not to assess subdivision for a non-residential development due to uncertainty about the nature of the development and instead delay assessment to building consent stage.
- The Council will only assess land use consents if it is uncertain whether there will be a subsequent building consent to assess, or if there are other special circumstances.

Each reassessment will take into account the number of units of demand previously assessed and determine whether the development still generates the same number of units of demand.

Note:

1. Council will not defer assessment of development contributions for residential development.
2. Designations are not assessed, but the development may be assessed at building consent stage.
3. Applications for works necessitated by a condition of a consent are not exempt from development contributions.

2.4 Activities for which development contributions are assessed

Applications will be assessed for contributions for five different activities:

- reserves
- land transport
- water supply
- wastewater
- stormwater.

2.5 Formula for calculating contributions

Contributions (C) for reserves, land transport, water supply, wastewater and stormwater will be calculated according to the following formula:

$$C = H \times R$$

Where:

H = Number of Household Unit Equivalentents (HUEs) or units of demand calculated in accordance with section 2.7

to 2.9 less any credits calculated in accordance with 2.10; and

R = The applicable rate per HUE for the type of contribution (activity) and the catchment associated with the development (refer to Part 2 of the Schedule).

2.6 Catchments

The catchments for charging each type of contribution are set out in Part 4 of the Schedules.

If for any reason a development falls outside the catchment for water, wastewater or stormwater and is still served by the network infrastructure, then the calculation of contributions shall be as if the development was located within the catchment.

2.7 Assessment of HUES on the basis of multipliers

Subject to 2.8 and 2.9, the number of HUEs associated with a development will generally be assessed on the basis of the standard multipliers set out below, less any credits provided for in 2.10.

a. Residential Developments

Activity for which Contributions Assessed	Unit of Measure	Multiplier (HUE/Unit of Measure)
All	Residential allotments or allotments used for residential purposes OR the first dwelling unit on an allotment.	1 (allotments and dwelling units of 60m ² or more gross floor area). 0.5 (dwelling units less than 60m ² gross floor area).
All	Every second and subsequent dwelling unit on an allotment.	1 (60m ² or more gross floor area). 0.5 (less than 60m ² gross floor area).

b. Non-Residential Developments

Activity for which Contributions Assessed	Type of Development	Unit of Measure (U)	Multiplier (M) (HUE/unit of measure)
Land Transport	Commercial (excluding retail)	Gross Floor Area of Buildings (in 100m ²)	1.3
Land Transport	Retail	GFA of buildings (in 100 m ²)	Retail activity less than 4,000m ² GFA 3.4-(0.04 x GFA of the activity /100) Retail activity less than 4,000m ² GFA: 1.8
Land Transport	Restaurants, Cafes and/or Bars	Primarily dine-in: The number of potential diners/patrons or Primarily takeaways GFA of buildings (in 100 m ²)	Primarily dine-in: 0.046 Primarily takeaways: 3.4

Activity for which Contributions Assessed	Type of Development	Unit of Measure (U)	Multiplier (M) (HUE/unit of measure)
Land Transport	Health and/or Community Services	GFA of buildings (in 100 m ²)	3.4
Land Transport	Heavy Manufacturing	GFA of buildings (in 100 m ²)	1.3
Land Transport	Other Industry / Servicing	GFA of buildings (in 100 m ²)	2.8
Land Transport	Warehousing /Storage	GFA of buildings and/or area of outdoor storage area (in 100 m ²)	0.42
Land Transport	Visitor Accommodation	The number of potential occupants	0.15
Land Transport	Residential Services	The number of potential occupants	0.14
Land Transport	Education	GFA of buildings (in 100 m ²)	2.5
Land Transport	Community Infrastructure	GFA of buildings (in 100 m ²)	0.80
Land Transport	Agriculture / Forestry	GFA of buildings (in 100m ²)	0
Water and Wastewater	Commercial (excluding retail)	GFA of buildings (in 100 m ²)	0.33
Water and Wastewater	Retail	GFA of buildings (in 100 m ²)	0.21
Water and Wastewater	Restaurants, Cafes and/or Bars	Primarily dine-in: The number of potential diners/patrons or Primarily takeaways GFA of buildings (in 100m ²)	Primarily dine-in: 0.049 Primarily takeaways: 1.5
Water and Wastewater	Health and/or Community Services	GFA of buildings (in 100 m ²)	1.2
Water and Wastewater	Heavy Manufacturing or Other Industry/Servicing	GFA of buildings (in 100 m ²)	0.23
Water and Wastewater	Warehousing / Storage	GFA of buildings and/or area of outdoor storage area (in 100 m ²)	0.16
Water and Wastewater	Visitor Accommodation	The number of potential occupants	0.17
Water and Wastewater	Residential Services	The number of potential occupants	0.38
Water and Wastewater	Education	GFA of buildings (in 100 m ²)	0.29
Water and Wastewater	Community Infrastructure	GFA of buildings (in 100 m ²)	0.18
Water and Wastewater	Agriculture / Forestry	GFA of buildings (in 100m ²)	0
Stormwater	All Non-Residential	Impervious surfaces (in 100 m ²). Excludes impervious surfaces that form public roads and footpaths.	0.29

2.8 Additional rules relating to assessment on the basis of multipliers

Each application is assessed as a residential development, non-residential development, or a mixture. Mixed developments are assessed under the provisions that apply to both residential and non-residential developments for the applicable parts of the development.

Units of demand will only be assessed for water or wastewater if a connection to the network is or will be available.

Allotments subject to an amalgamation condition, or that will be subject to an amalgamation condition, shall be considered as one allotment for the purpose of calculating HUEs.

For the avoidance of doubt, dwelling units of less than 60m² gross floor area that are classified as minor dwelling

units under the Combined Regional Land and District Plan will be assessed as half a unit of demand.

Non-residential developments will generally be classified as a single development type, i.e. the one that best represents the dominant or primary activities associated with the development; and ancillary activities will not be considered separately. However, where a development has distinct parts, Council may, in its discretion, consider these parts separately. For example, the wine manufacturing component of a winery may be considered separately from the restaurant component.

Where a non-residential development is not described by the types of non-residential development identified above, the multiplier for the type of development with the most similar demand characteristics will be used.

Outdoor display areas for goods, e.g. garden centre display areas will be included in the calculation of Gross Floor Area (GFA) for retail, provided they are formalised areas primarily for display and not storage of goods.

Each retail premises in a development shall be considered separately to determine the number of HUEs for Land Transport.

For multi-storey, multi-unit residential developments, the number of HUEs for stormwater development contributions will be based on the number of dwelling units or allotments (as appropriate) on any one level of the development, selected so that the maximum number of HUEs results.

Where a residential and non-residential aspect of a development share a common footprint, the number of HUEs for stormwater shall be based on the approach for non-residential development, i.e. impervious surfaces.

2.9 Assessment of HUEs on the basis of actual anticipated demand

If the actual demand associated with a non-residential development is likely to be significantly different, that is at least 25% more or less than what is implied by the multipliers and demand assumptions in Part 3 of the Schedules, the Council may, in its discretion, choose to calculate the number of HUEs on the basis of the actual anticipated demand, less any credits provided in 2.10.

In determining whether to use this alternative calculation Council will consider the likelihood that the demand will change over time and whether, therefore, the standard approach may be more appropriate.

An assessment on the basis of actual anticipated demand shall be made by estimating the actual demand associated with the development for each service in the units of measure set out in Part 3 to the Schedule, and dividing this by the demand assumptions for a HUE set out in Part 3 to the Schedule. The calculation may be adjusted to reflect other factors that influence the design of infrastructure, peak demand issues and measures to mitigate demand.

2.10 Assessment of credits for historic development

Historic credits acknowledge prior development of the site which has ceased and will be applied against the number of units of demand assessed for a development calculated under 2.7 to 2.9. The following principles shall apply to calculating credits:

- the onus is on the applicant to include details in the application of the historic development.
- credits can only be used for a development on the same site and cannot be transferred from one site to another.
- the number of credits available is calculated under the policy that applies at the time of the assessment of the new development.
- additional credits will not be refunded if the number of units of demand assessed for any activity for the historic development exceed the number of units of demand assessed for the new development. However the historic development may be considered again when assessing credits for any future development.
- credits for historic non-residential development will only be awarded if the elements that imply that development (i.e. the buildings, impervious surfaces etc.) were present in the ten years prior to assessment.

2.11 Reductions

The value of the development contribution assessed will be reduced for the following reasons:

a. Esplanade Reserves

Esplanade Reserves or strips required under the RMA and associated with the development will be offset against development contributions payable for Reserves, up to the value of the contribution payable.

Valuation of the Esplanade Reserve or strip will be GST exclusive and shall be assessed in terms of section 62(1)(b) of the Public Works Act 1981. The date of valuation shall be no more than 12 months before the requirement for the contribution.

b. Special Circumstances

Special circumstances may apply in relation to some service connections that may be taken into account to reduce the development contribution payable e.g. a targeted or special rates levy has been agreed pending the installation of a new service and as such provides for that property to connect to the services when commissioned. Under these circumstances the agreement would be honoured and no development contribution would be applied, except for where the demand proposed is greater than that envisaged by the

special rate and a development contribution, or part thereof, will be charged.

2.12 Remissions

Council will consider requests for remission of development contributions on the following grounds:

- The development is by a non-profit organisation and will provide benefits to the public.

Any such request must be made in writing and within 20 working days after the date on which the Council sent notice of the level of development contribution Council requires.

The request must include the following information:

- description of the site and specific application subject to the contribution
- description of the organisation seeking the remission and confirmation that it is a non-profit organisation as defined in the glossary
- description of the benefits that the development will provide to the public and the extent of access to those benefits.

The request will be considered by the Group Manager of Engineering & Works or the Group Manager Environmental & Regulatory Services.

The Group Manager will have regard to the following criteria in determining whether to grant a remission and the quantum of the remission:

- The level of the public benefits provided by the activity and the extent of access to those benefits, and
- The funding available in Council's Remission fund and any other likely claims on the fund in that financial year.

Council will give written notice of the outcome of its consideration of the request within 15 working days of its receipt of the request and all relevant information relating to the request.

2.13 Reassessment of a development

Where a development becomes subject to assessment under more than one development contribution policy or version of a policy then the assessment of units of demand under the most recent policy or version shall prevail for the development as a whole.

To avoid doubt, no refund shall be given, or additional contributions required, because the rate per unit of demand has changed.

2.14 Money or land

The LGA provides that a development contribution for Reserves may be money or land, or both. Under this policy the contribution for Reserves shall be made in money

unless, at the sole discretion of the Council, land is accepted.

In general, Council will only accept land as a development contribution for Reserves where it is specifically a recreation, scenic or historic reserve and will be vested as such on subdivision or otherwise classified. However, Council may also accept easements for access, etc. to Reserves or for recreational purposes. In determining whether to accept land the Council will have regard to existing policies. Drainage reserves and areas within reserves that are used primarily for drainage (e.g. retention pond areas), while they may be accepted by Council, will not form part of a development contribution for Reserves.

2.15 Development agreement

Council and a developer may enter into an agreement that provides for a departure from the standard development contribution calculation. Such an agreement must be at the written request of Council or the developer.

Council will consider the interests of the developer, the community and Council when deciding whether to enter into a development agreement.

Reasons for entering into a development agreement may include:

- the developer seeks infrastructure to be provided over a different timeframe from that planned in the capital works programme
- services can be provided in a manner different to Council's standard procedures/guidelines
- Council seeks to acquire land for Reserves
- the development includes works which duplicate works provided for in Council's LTP
- the development requires service levels in excess of what would generally be provided and Council considers that it is appropriate to provide the service.

Council delegates its authority to enter into a development agreement to the Manager of Engineering & Works and the Manager of Environment & Planning.

Note: Further details about development agreements, including the process Council must follow when receiving a request for a development agreement, the content and effect of a development agreement, are set out in sections 207A to 207F of the LGA.

2.16 Payment due dates

Development contributions shall be due at the following times:

- in the case of a development contribution required when granting resource consent under the RMA for subdivision, before uplift of the s224 certificate
- in the case of a development contribution required when granting resource consent under the RMA, other than for subdivision, within 20 days of the invoice being issued on granting the consent
- in the case of a development contribution required when granting a building consent under the Building Act, before uplifting the building consent
- in the case of a development contribution required for an authorisation for a service connection, within 20 days of the invoice being issued on granting the consent.

2.17 Enforcement powers

Council may recover debt through normal court action.

Until development contributions required in relation to a development have been paid Council may also, pursuant to section 208 of the LGA :

- in the case of a development contribution required when granting resource consent under the RMA, withhold the section 224(c) certificate on a subdivision and prevent the start of a resource consent
- in the case of a development contribution required when granting a building consent under the Building Act, withhold the Code of Compliance Certificate
- In the case of a development contribution required when granting a Certificate of Acceptance, withhold the Certificate of Acceptance
- in the case of a development contribution required for an authorisation for a service connection, withhold that service connection
- in each case, register the unpaid 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.

2.18 Refunds

A refund of money or return of land will occur in the circumstances set out in sections 209 and 210 of the LGA where applicable.

2.19 Postponements

Postponements on payment of a development contribution will not be applied.

2.20 Reconsideration process

As set out in section 199A(1) of the LGA, any person required by Council to make a development contribution may request a reconsideration of the requirement if they believe that:

- the development contribution was incorrectly calculated or assessed under the territorial authority's development contributions policy; or
- the territorial authority incorrectly applied its development contributions policy; or
- the information used to assess the person's development against the development contributions policy, or the way the territorial authority recorded or used it when requiring a development contribution, was incomplete or contained errors.

As set out in section 199A(4) a person may not apply for a reconsideration of a requirement for development contributions if they have already lodged an objection to that requirement under section 199C and Schedule 13A of the LGA.

Any such request must be made in writing within 10 working days after the date on which the person lodging the request for the reconsideration received notice from the Council of the level of development contribution Council requires.

The request must clearly state the site and specific application subject to the contribution, the particular contribution(s) to be reviewed, and any matters the person would like Council to take into consideration when undertaking the review.

The review will be undertaken by the Group Manager of Engineering and Works or the Group Manager of Environment and Policy.

The review will be limited to consideration of the grounds for reconsideration listed in 2.19.1 a) to c).

Council will give written notice of the outcome of its reconsideration within 15 working days of its receipt of the request and all relevant information relating to the request.

Note: The LGA also provides a process for persons to object to development contributions assessed and for decisions on objections to be made by development contribution commissioners. Refer to the Act for further details.

2.21 Other matters

Goods and services tax (GST)

Once all the development contribution calculations are complete, GST shall be added to the final invoice as required by the legislation and/or regulation of the day.

Valuations

Where it is necessary to value land to ensure the maximum contribution requirement in section 203(1) of the LGA is not exceeded, or to assess the value of an Esplanade Reserve or contribution in land, the value shall be assessed in terms of section 62(1)(b) of the Public Works Act 1981. The date of valuation shall be no more than 12 months before the requirement for the contribution.

In addition, where it is necessary to value land to ensure the maximum contribution requirement in section 203(1) LGA is not exceeded, valuation of the additional allotments created by subdivision shall be calculated as the average value (the mean) of all post-development allotments intended or capable of supporting residential development.

Applications to vary consents or the conditions of consent

Where applications are received to vary a consent or the conditions of a consent, a new assessment will be made reflecting any increase or reduction on the demand for infrastructure and/or services that would result in a change to the HUEs relating to the original consent application.

Council developments

Council is exempt from paying any development contributions on any development that itself is a capital expenditure for which development contributions are required. Council is otherwise required to pay development contributions as assessed under the policy.

3.0 Explanation of the Method for Developing the Schedule of Charges

3.1 Relevant provisions in the Local Government Act 2002

Relevant provisions in the LGA include the following:

- Section 197AA and 197AB provides the purpose and principles for development contributions
- Section 199 provides the basis on which development contributions may be required.

Development contributions may be required in relation to developments if the effect of the developments is to require new or additional assets of increased capacity and, as a consequence, the territorial authority incurs capital expenditure to provide appropriately for the following:

- reserves
- network infrastructure
- community infrastructure.

Subsection (2) clarifies that Council may require a development contribution in relation to capital expenditure already incurred by the territorial authority in anticipation of the development.

Subsection (3) states that in subsection (1) effect includes the cumulative effects that a development may have in combination with other developments.

Section 203 sets the maximum contributions for reserves and for network infrastructure and community infrastructure -

Development contributions for reserves must not exceed the greater of:

- 7.5% of the value of the additional allotments created by a subdivision and
- the value equivalent of 20 square metres of land for each additional household unit created by the development.

Development contributions for network or community infrastructure must not exceed the amount calculated by multiplying the cost of the relevant unit of demand (calculated under clause 1 of Schedule 13) by the number of units of demand assessed for a development or type of development, as provided for in clause 2 of Schedule 13.

Schedule 13 contains the general methodology for determining the maximum development contribution. In short, this requires identification of the capital expenditure costs, as set out in the LTP, which the Council expects to incur to meet increased demand resulting from growth and to attribute these costs to units of demand. Clause 2 further requires that Council demonstrate that the units of demand are attributed to developments on a consistent and equitable basis.

3.2 The capital works programme

Development contributions are only charged in relation to capital projects identified in the LTP. This includes both current projects identified in the Activity Management plans, as well as past projects. These are listed in Part 5 of the Schedule.

The Capital Works Programme is founded on a range of considerations including:

- provisions of the LGA, such as the purpose of local government (section 10), decision-making requirements (sections 76-81), the principles relating to local government (section 14)
- the community outcomes identified in the Long Term Plan under the LGA
- projections of growth and other changes in the community which could drive changes in demand

- service provision levels and standards, which define the services being provided to the community in terms of criteria
- plans and strategies.

Development contributions have been considered as a potential funding source for the following activities:

- reserves
- land transport
- water Supply
- wastewater
- stormwater.

Other types of network and community infrastructure capital projects could potentially be considered for development contributions in the future.

Council has used the best information available at the time of developing this policy to estimate the capital expenditure. However, it is likely that actual costs will differ from estimated costs due to factors beyond the Council's control, such as changes in the price of raw materials, labour, etc and the timing of capital works taking place.

3.3 Unit of demand

The Household Unit Equivalent (HUE) is the base unit of demand used to apportion costs between different types of development in the calculation of development contributions. It represents the assumed demand for the service generated by an average household, as set out in Part 3 of the Schedule.

Every dwelling with a gross floor area of 60m² or more is assumed to represent one HUE of demand for each service. Dwellings with a gross floor area of less than 60m² are considered to represent half a HUE of demand for each service.

2.7 above sets out the multipliers used to calculate the number of HUEs associated with non-residential development. In essence, these multipliers represent the assumed typical relationship between the demand generated by non-residential development and the demand generated by households. Similar multipliers are used to convert the growth model to HUEs in the funding model.

3.4 Assessment of growth model

Council has developed growth projections for the period 2006-2056 to estimate future growth within the Gisborne district. This underpins the development of the policy at two levels. Firstly, as growth drives changes in demand on infrastructure, the growth projections are a foundation for the capital works programme. Secondly, the growth projections are converted into HUEs to model funding and to calculate the development contribution charge (refer to section 3.9).

The growth projections address three indicators of growth:

- resident population
- households
- gross floor area of non-residential activities.

A full explanation of the methodology used to produce the projections and spreadsheets containing the relevant figures for the model can be accessed as a supplementary report.

3.5 Key risks/effects associated with growth projections

Growth projections are subject to uncertainties as to the quantum, timing and location of growth. There is a risk that the growth projections in the model will not eventuate, resulting in a change to the assumed demands on community facilities. This could result in the over-provision of infrastructure. Furthermore, if the total amount of growth is less than projected, then the proportion of capital expenditure recovered through development contributions will be less than expected. As a consequence there may be increased debt servicing costs to Council. Council will continue to monitor the rate of growth and will update outcomes in the growth and funding models as required.

Under-assessing growth, on the other hand, may result in the under-provision of infrastructure to meet the growth.

3.6 Identification of growth expenditure and funding mechanisms

General Approach

A summary of the capital expenditure identified in the LTP that Council expects to incur to meet the increased demand for community facilities resulting from growth is contained in Part 5 of the Schedule. The proportion of this expenditure that Council expects to fund from development contributions is also indicated.

In determining the growth expenditure and associated funding mechanisms, an analysis is undertaken at three levels:

1. Activity Level
The range of funding mechanisms (consistent with the Revenue and Financing Policy) is identified at the activity level and an initial analysis is made of the considerations in the LGA, including section 101(3).
2. Programme Level
Further consideration is given to the considerations in the LGA and their implications for funding.
3. Project Level
At the project level, the drivers for the project are reviewed and a cost allocation process is

undertaken to separate the costs into three drivers (growth, backlog and renewal).

A catchment is then identified for the project and the funding model applied to provide an indication of the 'raw development contributions charge' required to fund the growth component. Further consideration is then given to appropriate funding mechanisms, building on the analysis at the activity and programme level and the considerations in the LGA. This may result in re-consideration of the drivers and cost allocation process.

In general terms, Council has determined to use development contributions to fund the portion of capital indicated in Part 5 of the schedule because:

- a. the portion of capital expenditure identified relates to the growth community in terms of sections 101(3)(a)(ii) (beneficiaries) and/or 101(3)(a)(iv) (exacerbators). Development contributions provide a means of directing funding to the growth community.
- b. Council recognises that liability for rates is increasingly putting pressure on the social wellbeing of the community and the use of this alternative source of funding will have the benefit of easing the burden of rates.
- c. Council wishes to keep debt levels within the covenants in the Financial Strategy.

3.7 Cost allocation

The cost allocation methodology carried out on each project is called the 'Modified Shared Drivers' methodology. This allocates the project costs into three categories so that possible sources of funding can then be identified with reference to the Revenue and Financing Policy. The three categories of costs are:

1. Backlog

The portion of the planned (or completed) project that is required to rectify a shortfall in service capacity to meet existing community demand at the current agreed levels of service. Levels of service describe, in quantitative and qualitative terms, the standard of services that the Council provides for each activity. Council defines levels of service in consultation with the community on the LTP and through strategies and policies.

2. Cost of Renewal

The gross cost of replacing an existing asset with a modern equivalent asset to the same function and capacity at the end of its life.

3. Cost of Growth

The portion of a planned (or completed) capital project providing capacity in excess of existing

community demand at the current agreed levels of service. Only the growth portion of the capital works programme is considered for development contributions.

A summary of the Cost Allocation Methodology is as follows:

Step 1: Identify project and costs

Information about the capital costs and planned timing of expenditure is identified. Costs are specified in present value.

External Third Party funding (e.g. NZTA) is identified and also deducted from further analysis.

Step 2: Consider drivers for the project and identify associated levels of service

The reasons for doing the project are reviewed and associated levels of service identified.

Where there is more than one driver the project is split into multiple drivers (on a percentage basis) and associated levels of service are identified for each driver.

Step 3: Define capacities relating to the project

A capacity measure is identified to reflect each driver of the project and associated level of service. The existing capacity of the current infrastructure, existing demand and total capacity provided by the current infrastructure plus the planned works are identified (based on the year of analysis). The capacity and demand measures are used to divide the cost of the works into backlog and growth cost shares.

The growth in demand from existing users without any change in level of service (e.g. more vehicle movements per day per household) is considered a backlog component, rather than a growth component, and is accounted for by adjusting the capacity measures to reflect anticipated changes in demand.

Step 4: Asset renewal

Any assets replaced by the project for which depreciation has been collected to fund the eventual replacement are identified.

The amount of renewal funded by past depreciation is calculated by taking into account the gross replacement cost of the modern equivalent asset and the remaining life at the time of renewal.

Step 5: Cost Efficiency

The renewal cost share is adjusted to recognise the efficiencies which may occur by carrying out the renewal component with the provision of new capacity.

Step 6: Determine Cost Shares to Growth and Backlog

The remaining proportion of the cost (ie, excluding the renewal component calculated in Step 4 and Step 5) is

then attributed to growth and backlog according to the proportions identified in Step 3.

Step 7: Check Growth Cost Share

To ensure that the growth cost is not significantly more when the capacity for growth is provided in conjunction with backlog and renewal components. A comparison is made of the calculated growth cost share and a 'Stand Alone Growth Project' that a third party could install to meet just the growth capacity of the proposed works.

All analysis is undertaken in current year dollars. Historic project costs are the actual completed project costs in the dollars of the years in which they were completed and are not inflated to the current year.

3.8 Catchments

The capital expenditure related to growth is associated with one or more catchments on an activity-basis. The catchments are determined based on key characteristics including geography, service delivery and the nature and complexity of service provision. The catchments can be either local or district-wide. Individual capital works projects are allocated to catchments depending on the nature of the project and the community the project is intended to serve.

3.9 Funding model

The SPM Consultants funding model is used to calculate the development contribution charges, per HUE, by activity and catchment. Each contribution charge represents the sum of the 'raw Development Contributions charges' calculated for the projects within the activity.

Essentially, the funding model divides the growth portion of cost of each project (identified using the cost allocation process) by the number of Household Unit Equivalents projected for the catchment over the funding period for the project, also allowing for:

- interest credited, at a rate of 3% when income from development contributions is projected to exceed the amount spent on the project
- interest on debt, at a rate of 6%, when the amount spent on the project is projected to exceed the income received from development contributions
- the effects of inflation on costs, using the BERL price level change adjustors.

It is assumed that by the end of the funding period the debt owing on each project is zero.

Interest rates are subject to fluctuation and will be reviewed at each policy review.

The funding model also applies a 'backcharge' which recognises that rating charges to cover the backlog components of the growth may also be applied to the incoming community. The backcharge offsets the

resulting rating charge on the incoming community against the development contributions charge.

3.10 Aggregation of the contribution

Once funding mechanisms have been decided at the project level the development contributions per HUE are aggregated by catchment and activity to determine the rates per HUE. These are listed in Part 2 of the Schedule.

4.0 Financial Contributions, Works and Services

4.1 Financial contributions

Introduction

Below is a summary of the separate but complementary contributions required under the District Plan. These contributions were adopted under the RMA and are known as financial contributions rather than development contributions.

Financial Contributions for Council Infrastructure

The development contributions described in the remainder of this policy are the normal way in which Council will acquire contributions from developers for water, wastewater, stormwater and land transport. However, Council will also consider requiring financial contributions for these services, as a condition on a resource consent under the District Plan, on a case-by-case basis, where special circumstances apply. In particular, financial contributions may be appropriate when the project for which the contribution will be used is not in the LTP and therefore is not covered by development contributions. Financial contributions could also be used to acquire land for the infrastructure.

Financial Contributions for Reserves

Council may also consider requiring, as a condition on a resource consent, financial contributions of land for reserves. These contributions will only be considered when a Council policy identifies the need to acquire the land or the developer offers the land to Council. It is expected that this will normally be accompanied with a development agreement to offset the value of the land from the development contributions that would normally be required.

Financial Contributions for Parking

Financial contributions for parking may be required, as a condition on a resource consent, where the application does not meet the parking space requirements under the District Plan.

Other Financial Contributions

- Financial contributions of land for protection of an archaeological site.
- Financial contributions for access to significant natural heritage areas.

- Financial contributions to offset adverse effects on natural heritage values.
- Financial contributions of land for access to the margins of rivers, lakes and the coastal marine area.

Funding of Capital Expenditure

Council does not anticipate to use the financial contributions collected under the rules described above to fund capital expenditure in the LTP. This is because any contributions collected will be for projects that are unanticipated at the present time.

However, financial contributions of cash collected under previous District Plan rules are used to fund walkways and cycleways and will be used to fund the Wainui pipeline to Sponge Bay and some reserve projects.

A summary of the capital expenditure that Council intends to fund from financial contributions is included in Part 5 of this policy.

5.0 Review of the Policy and Revision of the Schedule

5.1 Review of policy

It is anticipated that a new policy will be developed with each LTP, or at shorter intervals if Council considers necessary, to take account of significant changes to:

- the Development Contributions policy
- policy and strategic plans
- the capital works programme accounting for growth
- the pattern and distribution of development in the district
- anticipated inflation or interest rates
- any other matters Council considers relevant.

5.2 Revision of the schedule of contributions

Council may also revise the schedule of contributions (Part 2 and the cap on the contribution for reserves) with each Annual Plan to significant differences between actual capital costs incurred and the anticipated costs in the capital work programme.

Schedules to Development Contributions Policy

1. Events that may give rise to a requirement for development contributions

The following events may give rise to a requirement for development contributions determined in accordance with Part 1 of this Policy and charged at the rates per HUE set out in Part 2 of the Schedules:

Subdivisions:

Granting of Subdivision Resource Consents under the RMA.

Land use Consents and Building Consents:

Granting of a land use resource consent under the RMA; or a Building Consent or Certificate of Compliance under the Building Act 2004 may give rise to a requirement for development contributions under this policy where the consent/certificate is associated with:

Residential:

Creation of new dwellings (including relocation of existing houses) on a site

Non Residential:

- creation of new buildings or extension of the gross floor area of buildings
- a change in use of a building
- an increase in the design occupants of a visitor accommodation or residential services activity
- an increase in the amount of impervious surfaces.

Service Connection:

Granting of a service connection for Water, Wastewater, Trade Waste or Stormwater may give rise to a requirement for development contributions under this policy.

2. Development contributions payable

The development contributions payable for parks and open spaces, land transport, water supply, wastewater, stormwater per HUE and catchment are set out in the following table.

Activity	Catchment	Contribution per HUE (\$) (GST Exclusive)
Reserves	Gisborne Urban Area (Reserves)	\$403
Land Transport	Gisborne Urban Area (Land Transport)	\$412
Water Supply	Gisborne Urban Area (Water Supply)	\$2,025
Wastewater	Gisborne Urban Area (Wastewater)	\$3,391
Stormwater	Gisborne Urban Area (Stormwater)	\$1,361

3. Demand assumptions for a HUE

This table contains the demand assumptions for an independent household unit (i.e. one unit of demand or 'HUE'). The demand assumptions were used to develop the multipliers used to attribute units of demand to developments assessed on the basis of multipliers. They

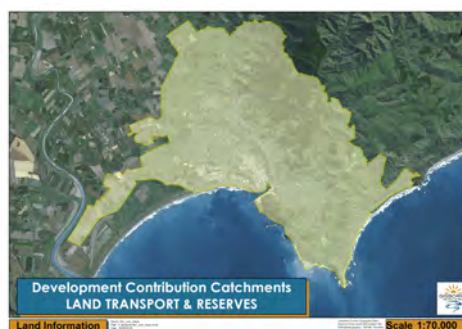
are also used to attribute units of demand to developments assessed on the basis of actual anticipated demand.

4. Catchment maps

Activity	Unit of Measurement for HUE	Demand per HUE	Comments
Reserves	Apportionment of total demand on Parks and Open Spaces	1 Apportionment	
Land Transport	Number of vehicle trips per day associated with the development	6	
Water Supply	Daily flow	800 L /day	
Wastewater	Daily flow	614 L/day	
Stormwater	Impervious surface area	340m ²	Excludes impervious surfaces associated with roads or other public land.



Stormwater Catchment



Land Transport and Reserves Catchment



Wastewater Catchment



Water Catchment

Assets / Programmes of Work funded by Development Contributions and Financial Contributions

Asset / Programme of Work	Estimated Capital Cost (not inflated)	Estimated Time of Expenditure	% from DC	% from FCs	% from other funding sources
Wastewater					
Taruheru Trunk Main	\$134,398	1997/98	42%	0%	58%
Nelson Road Upgrade	\$240,000	2008/09	100%	0%	0%
Localised Urban Upgrades (historic)	\$458,480	2009/10-2024/25	100%	0%	0%
Treatment Plant (historic)	\$34,900,500	2009/10-2011/12	1%	0%	99%
Industrial Separation	\$2,136,243	2009/10-2011/12	32%	0%	68%
Pipeline Renewals	\$17,436,181	2010/11-2024/25	2%	0%	98%
Aerodrome Road	\$280,000	2011/12-2012/13	100%	0%	0%
Wastewater treatment - UV	\$268,194	2011/12-2012/13	6%	0%	94%
Wastewater treatment (planned)	\$10,192,700	2015/16-2024/25	2%	0%	98%
Chrip Wastewater Drain	\$37,742	2015/16	100%	0%	0%
Mangapapa Upgrades (2 year Annual Rainfall Intensity)	\$1,500,000	2016/17-2018/19	8%	0%	92%
Upgrade Rising Main and Pump Station for Taruheru Block - Campion	\$749,980	2018/19-2019/20	72%	0%	28%
Wainui Road Pipeline New	\$427,245	2022/23	50%	50%	0%
Taruheru Block Pump Station (Moss and/or Cameron)	\$354,610	2022/23	100%	0%	0%
Taruheru Block Pump Station (Moss and/or Cameron)	\$446,040	2023/24	93%	0%	7%
Water Supply					
Local Upgrades	\$817,488	2009/10-2024/25	95%	0%	5%
Aerodrome Road	\$37,000	2011/12	100%	0%	0%
Bulk Water Distribution: Western Industrial Ring Main	\$1,346,906	2012/13-2013/14	34%	0%	66%
Water Supply Distribution: Fire fighting Upgrade	\$535,500	2012/13-2018/19	4%	0%	96%
Distribution: Pipe renewals (Asbestos Main Replacement)	\$3,698,000	2012/13-2024/25	7%	0%	93%
Taruheru Block Water	\$1,213,323	2023/24-2024/25	100%	0%	0%
Stormwater					
<u>Gisborne Urban Area</u>					
Taruheru Drain (historic)	\$70,000	2008/09	100%	0%	0%
Wainui Works	\$129,304	2009/10	97%	0%	3%
Stormwater Pipeline Renewals (historic)	\$3,831,765	2009/10-2024/25	4%	0%	96%
Localised Urban Upgrades	\$1,798,710	2009/10-2024/25	16%	0%	84%
Subdivisions Support	\$367,216	2009/10-2024/25	100%	0%	0%
Aerodrome Road and Western Industrial	\$106,887	2011/12	58%	0%	42%
Lloyd George Road Stormwater Upgrade	\$218,770	2014/15	36%	0%	64%