Financial Contributions

Issues

Subdivision, use and development of land creates demand for *water* supply, wastewater disposal, stormwater disposal, *road* access and public reserves and community facilities. In the absence of intervention through the Plan, the costs of providing services and of avoiding, mitigating or remedying other adverse effects will fall on the community.

The use, subdivision and development of land may impose costs on the community in a number of ways. Significant costs arise from providing works and services such as water supply, wastewater, stormwater, *road*s, reserves and community facilities, for the benefit of land that is used, subdivided or developed. The community, through the Council, has paid a substantial part of these costs in the past, particularly the costs that arise off-site, for example, the costs of expanding the wastewater treatment system to keep pace with the increasing number of houses connected to the system.

The sustainable, efficient and effective provision of these services is not totally achieved though market mechanisms, especially as long-term cumulative effects and off-site effects are not fully recognised in the market for subdivided or developed land. Any subsidy on subdivision, use and development will tend to distort private resource management decision-making, and may compromise other objectives and policies of the Plan and the statutory purpose of sustainable management.

Financial contributions are a means, provided for in the Resource Management Act 1991, of reallocating these costs. 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 a third party. The Resource Management Act 1991 requires the Plan to state the purposes of *financial contributions*, and the manner of determining the level of the contribution.

This chapter contains general Objectives, Policies and Methods relating to *financial contribution*s. These provisions are applicable to the entire Plan. Other chapters contain material relevant to *financial contributions* in specific circumstances.

Objectives

FC-O1 Development Costs

All of the costs arising from land subdivision and development are identified and recognised.

Explanation and Reasons: Not all costs of development are allocated to developers through market forces. This objective is intended to ensure that resource management decisions are not distorted through hidden subsidies. Costs that particularly need to be identified are those that arise through demands for servicing, and impacts on amenities, heritage and ecosystems.

FC-O2 Costs Allocation

The sustainable and efficient allocation of costs and resources in the delivery of services to new development.

Explanation and Reasons: The efficient use of existing and future services and infrastructure will reduce the environmental costs of development, and sustain the future potential of services. There may be occasions where this objective is best met by the community accepting development costs, but in most cases the costs of avoiding, remedying or mitigating the adverse effects on the environment arising from new activities will be charged to the subdivider or developer. Consequently, the wider community will not have to pay for effects that result in private benefit.

Policies

FC-P1 Effects

To ensure that the reasonable costs of, and responsibility for, avoiding, remedying and mitigating the adverse effects of activities are borne by the person carrying out the activity.

Explanation and Reasons: The effects of activities on, and adjacent to, land where new activities are established, are considered to be a cost (whether in money or land) only on the person establishing the activity. The person profiting from the activity should meet the costs.

FC-P2 Burden of Payment

To ensure that subdividers and developers:

- Meet the total costs of on-site services within a subdivision or development *site* to the extent this is required to service the subdivision or development *site*;
- Meet the total costs of any linkage or necessary expansion between the subdivision or land development and the service network, except to the extent that a demonstrated community benefit occurs;
- Meet the cost of constructing or upgrading of services necessary to avoid, remedy, mitigate or offset the adverse effects on the environment of the subdivision or development;
- Contribute towards costs incurred by the Council in providing excess capacity of services where that excess capacity is utilised.

Explanation and Reasons: The provision of adequate public utility services is an essential part of the development process. Such services include roads (including footpaths, kerb and channel and street lighting), systems, stormwater systems, solid waste disposal, reserves and wastewater community facilities and water supply systems (including collection, reticulation, treatment and disposal, where applicable).

Such services are broken into three distinct categories:

1. *On-Site Services: These are the facilities and services internal to the development or subdivision. These are provided by the developer, at their cost, to an acceptable standard. Generally, these facilities will be vested in the Council and will be required as a condition on resource consents.*

2. *Link Services: These are the facilities required to connect the site to the public services. Generally these will be paid for by the developer, except to the extent that there are community benefits from outside the new area being serviced. This contribution will be required as a condition on resource consents.*

3. *Community Services - These are the facilities remote from the site, such as sewage treatment plants, water treatment plants and the road network. The costs of community services will be recovered through a financial contribution in money, payable to the Council, and imposed as a condition on resource consents.*

FC-P3 New Development

To ensure that a *financial contribution*, in the form of money, is paid by developers on the creation of new activities, including new *allotments* and new development, for the purpose of avoiding, remedying, mitigating or offsetting any actual and potential adverse effects of such activities on the environment, that are not addressed by way of other conditions of consent.

Explanation and Reasons: As well as having direct effects on the immediate environment, the establishment of new activities places demands on existing infrastructure and results in the need for its expansion or upgrading. The community infrastructure (including water supply, wastewater, roads, reserves and community facilities) provides the efficient means of avoiding, remedying and mitigating some of the adverse effects of activities off-site, which otherwise would have to be met on-site. The community infrastructure thus allows the efficient and intensive use of the land resource to take place. In the past, a disproportionate share of costs of expansion and upgrading has been borne by the wider community. The policy will ensure that when new activities take place, particularly subdivision and development, a reasonable proportion of the environmental costs (including the community costs) associated with such activities, is recovered by the community at the time that the activity obtains relevant consents.

FC-P4 Additional Services

To use *financial contribution*s in money to provide additional capacity, and to meet the need for services and infrastructure within the District arising from the activity, and to avoid, mitigate or remedy any adverse effects arising from new activities. These services and infrastructure shall include the *road* network, water supply, wastewater, and stormwater and the provision and development of reserves and community facilities.

Explanation and Reason: The community provides and maintains most of the essential infrastructure services which underpin existing and new activities, and which avoid, remedy or mitigate actual and potential adverse effects. Money paid to the Council by means of financial contributions for permitted

activities for which consents are obtained, will be applied by the Council to capital works associated with the provision of infrastructure and services or their expansion.

FC-P5 Contribution by Payment

To ensure that a *financial contribution* in the form of money is paid to off-set actual or potential adverse effects of an activity, when the effects cannot be addressed in terms of any of the other *financial contributions* policies.

Explanation and Reasons: In general, the Council will only take money in relation to activities in terms of the above policies. However, it may sometimes be appropriate to accept or require a financial contribution in order to offset an adverse effect. Such circumstances may arise where effects cannot be directly addressed on-site (for example, where a development has an adverse effect on a habitat but the effect can be off-set by creation of a replacement habitat elsewhere, or the improvement of an existing degraded habitat). Appropriate circumstances for financial contributions to off-set such effects may be suggested by a consent applicant, or by the community. For such contributions to be acceptable, a clear relationship will need to be demonstrated between the effect for which the contribution is being made and the remedy or off-setting benefit that can be achieved.

FC-P6 Calculating Contributions

To calculate *financial contribution*s using a formula that correctly allocates the reasonable costs of avoiding, remedying or mitigating adverse effects on the environment, and that ensures double charging does not occur.

Explanation and Reasons: Rates paid to the Council following development may contain some component for the payment towards new infrastructure. This policy is intended to ensure that allowance is made for this in the calculation of the financial contribution.

FC-P7 Recognition of Positive Effects

To ensure that the calculation of *financial contribution*s takes into account the positive effects of a development where services are to be provided, in agreement with Council, that are in excess of those required to service the development.

Explanation and reasons: The provision of services in accordance with a development can be of benefit to the community and/or the environment. Where services are provided in agreement with Council that are in excess of those required to adequately service the development, the value of the excess will be taken into account in the calculation of the financial contributions to be paid.

Rules

FC-R1 Conditions on a Subdivision Resource Consent

1. Notwithstanding any other provision of the Plan, the Council may impose on every subdivision consent a condition that a *financial contribution* in money, shall be paid to the Council for:

    a. The purposes, and the parts of the District, and of the amounts set out in FC-Table 1 – Financial Contributions on Subdivision; or

    b. The purposes, and the part of the District, as set out in FC-Table 1 – Financial Contributions on Subdivision and according to the formula set out in FC-R2.1;

    Provided that the amount to be paid shall be the lesser amount of the two methods of calculation, as determined by the Council.

Table FC 1. Financial Contributions on Subdivision

Item	Purpose	Part of District	Contribution per Allotment excl. GST
1	Reserves and community services	Whole District.	$1,600.00
2	Sewerage	Whole District where a *reticulated* system is available, except Langs Beach, McLeods Bay to Urquharts Bay, and Waikaraka to Parua Bay.	$1,000.00
3	Sewerage	Area covered by Langs Beach.	$2,280.00
4	Sewerage	McLeods Bay to Urquharts Bay Scheme: Area 1.	$3,121.00
5	Sewerage	Waikaraka to Parua Bay Scheme: Area 2.	$3,146.00
6	Stormwater	Whole District where a *reticulated* system is available.	$1,000.00
7	Water supply	Whole District where a *reticulated* system is available.	$1,000.00
8	*Road* network	Whole District.	$1,000.00

FC-R2 Financial Contributions

1. Formula for Financial Contributions

   Step 1:

   Calculate costs of project (service upgrade) attributable to new growth and subdivision.

   From total cost of works, deduct the portion of the capital cost that benefits existing residents.

   Remainder = costs attributable to new growth and subdivision.

   Step 2:

   Calculate number of additional *residential units* that can be serviced within the design capacity of the works.

   From design capacity of completed work (e.g. house equivalents), deduct existing houses to be serviced.

   Remainder = number of additional *residential units* that can be serviced.

   Step 3:

   Calculate cost of growth per additional house.

   Divide costs attributable to new growth and development by the number of additional *residential units* that can be serviced.

   Quotient = the *financial contribution* per lot.

2. The *financial contribution*s paid, pursuant to FC-R1 and Table 1 – Financial Contributions on Subdivision, shall be used by the Council for the following purposes:

   a. Reserves and community facilities: the provision of active and passive open space in the service network;

   b. Wastewater: the provision of wastewater services in the service network;

   c. Stormwater: the provision of stormwater services within the service network;

   d. Water supply: the provision of water supply services in the service network;

   e. *Road* network: the provision of roading within the service network.

3. The *financial contribution*s in Table 1 – Financial Contributions on Subdivision and FC-R2 shall be paid in respect of each *allotment* created by the subdivision. No *financial contribution* shall be payable in respect of:

    a. The existing number of *allotments* in the land being subdivided;

    b. Any *allotment* to be vested in the Council or the Crown;

    c. Any *allotment* to be used exclusively for utility, *road*, reserve or access purposes.

4. The contribution is only payable where the relevant service is available to the land being subdivided, and is within the part of the District indicated in Table 1 – Financial Contributions on Subdivision.

5. 'Whole District' means the area within the Whangarei District boundary. Other localities specified in Table 1 – Financial Contributions on Subdivision, are defined by reference to the availability and practical catchment areas of the relevant service in that locality.

6. In assessing the contributions payable under FC-R1 – R2, the Council, in setting the contribution, shall take into account the value of any works or services already made under FC-R4, while ensuring that adverse effects on the environment are avoided, remedied or mitigated.

FC-R3 Contributions in Land for Reserves

1. The Council may impose on every subdivision consent, where the subdivision will produce 2 or more *allotment*s, a condition requiring a *financial contribution* in land within the subdivision, for reserve purposes.

2. The land comprising the *financial contribution* shall contain a maximum area equivalent in value to $1,600.00, multiplied by the number of *allotments* in the subdivision, excluding *allotment*s mentioned in FC-R2.3.

    The value of any land vested as reserve under FC-R3 may be deducted from the assessment of the *financial contribution*s to be made under FC-R1 – R2 for reserves and community services, and where the value of land vested under FC-R3 exceeds the financial contribution payable under Table 1 – Financial Contributions on Subdivision "Reserves and community services", the Council will reimburse the subdivider for the difference.

FC-R4 Conditions on a Land Use Resource Consent

1. Where any resource consent is granted, a condition imposing a *financial contribution* may be imposed according to Section 108(2) of the Resource Management Act 1991, to make provision for associated infrastructure and services, including reserves and community infrastructure. Where a land use resource consent imposes a condition requiring a financial contribution, Council will account for contributions already made under FC-R1 and FC-R2 for

the purpose of avoiding, remedying or mitigating potential adverse affects arising from insufficient infrastructure or services, with respect to the proposed development.

The following are purposes for which a *financial contribution* may be imposed:

a. The form or upgrade *road*s and associated services, including traffic control systems in the vicinity of the proposed development, to the extent required due to the projected increase in traffic.

b. To develop or upgrade the *water* supply, stormwater drainage and wastewater systems to the boundary of the development *site*.

c. To provide for other works or services provided by Council that would otherwise have been required to be provided by the consent holder as a condition of resource consent associated with the development *site*.

d. To offset the cost of future capital works, reserves acquisition and anticipated community infrastructure necessitated by and directly associated, with effects of the proposed development, other than *financial contribution*s provided by condition of a subdivision consent.

e. To offset the cost of capital works, reserves acquisition and community infrastructure necessitated by, and directly associated with, the effects of the proposed development that has been incurred in anticipation of proposed development other than *financial contribution*s provided by condition of subdivision consent.

In undertaking an assessment as to the quantum of any *financial contribution* that may be required to address the above matters, Council will apply the following principles:

a. A *financial contribution* will only be required in circumstances where the proposed development does not effectively provide for development of infrastructure and services directly associated with the proposed development.

b. A *financial contribution* will not be required in circumstances where the financial contribution provided for under FC-R1 and FC-R2 adequately provides for the purpose of avoiding, remedying or mitigating potential adverse effects arising from insufficient infrastructure, or services directly associated with, the proposed development.

c. A *financial contribution* will only be used to provide for the provision or upgrading of infrastructure and services associated with effects or impact of that development *site* and proposed development.

d. A *financial contribution* does not provide for the operation and maintenance of infrastructure after establishment.

e. Financial contribution means a contribution of money or land (including an *esplanade reserve* or *esplanade strip* other than in relation to a subdivision consent), or combination of money and land, to an equivalent value.

f. The calculation of any *financial contribution* will take into account the extent to which the Council service for which the contribution is being required is funded by other sources, including that required by condition of subdivision consent.

g. Upon application, Council may waive or discount the *financial contribution* under this provision, in consideration of relevant matters including:

   i. Where the infrastructure provided exceeds that required for the proposed development and this is of benefit to the local or wider community;

   ii. Positive effects created by the enhancement of physical and/or natural environment;

   iii. Where reserves' acquisition and anticipated community infrastructure is unnecessary or inappropriate.

Note:

1. *In the event the proposed development does not proceed and the consent is cancelled or lapsed, Council shall refund to the consent holder the unspent component (if any) of the financial contribution (paid under this provision), according to Section 110(1) of the Resource Management Act 1991.*

   In a situation that Council is confident that a third party effectively providing, or will effectively provide payment towards, the financial contribution, then such payment will be deducted from the financial contribution required under this provision. Determination of the deduction will be established though a negotiated process between the applicant and Council. This determination will be made on a case-by-case basis and not determined retrospectively.

2. *A financial contribution in money shall be paid to the Council where the Council will do some or all of the work or provide land. The amount will be determined as no more than the full cost to the Council to achieve the purpose of the financial contribution, and to the extent to which the works will be required to avoid, remedy or mitigate adverse effects of the subdivision or development on the environment.*

3. *A financial contribution in land shall be required where a consent holder is to vest land in a local authority, the Crown, a network utility operator or a heritage protection authority, for the purpose of the financial contribution. The amount and location of the land will be determined as follows:*

   a. *The land necessary to construct, form, divert, widen or upgrade any new or existing road, where:*

      i. *Roads are not available; or*

      ii. *Existing roads are of an inadequate width or construction to cater for increased usage caused by the subdivision or development, or*

iii. *Alterations or works to existing roads are required for traffic safety or efficiency, as a consequence of the subdivision or development.*

b. *The land necessary to access any other land in the vicinity of the land being subdivided or developed, or adjacent to the road being constructed, widened or upgraded; to provide for the effective future development of the other land or practical access to the other land.*

c. *The land necessary for any segregation strips required for the purposes of the financial contribution.*

d. *The land required to site any utility required for the purpose of the financial contribution, such as a substation, pumping station or soil conservation reserve.*

e. *Any easements necessary to make services available to\ land within the subdivision or development, or to any land in the vicinity of the land being subdivided or developed; to provide for the effective future development of the other land.*

f. *Any land, or interest in land, necessary for the purposes of an esplanade reserve or esplanade strip or access strip.*

g. *Any land, or interest in land, necessary for the protection of Significant Ecological Areas.*

FC-R5 Timing of Payment

1. Where payment of a *financial contribution* in money is required by a condition on a resource consent, or a rule, it shall be paid in accordance with that condition or rule, or if there is no specific requirement as to timing of the payment, it shall be paid:

    a. Prior to a certificate being issued pursuant to section 224(c) of the Resource Management Act 1991, in the case of a subdivision; or

    b. Prior to commencement of building work, in the case of a building activity; or

    c. Prior to a service connection being made to Council services, in the case of a contribution for *water*, wastewater or stormwater connection; or

    d. Prior to the commencement of the activity in the case of a contribution for parking.

FC-R6 Timing of Transfer of Land

1. A condition in respect of a *financial contribution* in land, shall be completed as required, by a condition on a resource consent or a rule. If the contribution is the vesting of land as part of a subdivision, this shall be shown on a plan of subdivision.

Principal Reasons for Rules

Payments on Subdivision

The purposes of *financial contribution*s are described in the objectives and policies in general terms, (Chapter 9) and in the rules more specifically.

The manner of determining the level of contributions in FC-Table 1 is generally based on the capital works projects stated in the Council's Strategic Plan, which is part of the Council's Long Term Council Community Plan, required under the Local Government Act 2002. Where projects are not contained in the Strategy, then specific estimates of costs will be relied upon in costing the project. Only projects planned for the next 10 years are covered in FC-Table 1.

In most cases, the amount in FC-Table 1 is lower than the actual costs of providing services. This is because Council has decided to accept that part of the costs attributable to new growth should be met, in part, out of rates.

Every *allotment* on a subdivision is assumed to be capable of holding one new residential unit. Exceptions are provided in the rules for lots to be used for utility, *road*, reserve or access purposes, on the basis that these are unlikely to contain a dwelling unit. Commercial and industrial subdivisions will pay the same *financial contribution*, per lot, as residential subdivisions. However, additional payments to the Council for services may be required at the time of connection to services. The financial contribution, in some cases, has been reduced below the calculated level where the Council has decided to pay part of the costs of new growth from rates, for reasons of fairness or equity.

Contributions for Road Network

Rural subdivision affects *road*s in several ways. Increasing traffic creates demands for *road* widening, surface improvement, traffic signs and other works. Stormwater flows in water tables, sumps and culverts may increase significantly, as water from on-site drainage systems often finds its way onto *road*s following subdivision.

The purposes of the *financial contribution* are to pay the costs of upgrading the *road* network, including widening, surface and subsurface improvements, improvements to alignment, levels, sight lines and *water* control, land purchase and *road* legalisation.

Resource Consent Conditions

This rule covers activities or effects, within the scope of the objectives and policies, for which *financial contribution*s cannot be quantified in advance. The level of contributions for these purposes will reflect the effects assessed on the environment.

Methods

Regulatory Methods

- Rules relating to the payment of *financial contribution*s (Policies FC-P1 – P6).
- Subdivision rules relating to the provision of services (Policies FC-P2 and FC-P3).
- Resource consent conditions (Policies FC-P1 – FC-P6).

Economic Instruments

- Financial contributions in terms of this Chapter (Policies FC-P1 – P6).
- Annual Plan allocation for Council purchase of land (Policies FC-P1 – P6).

Council Works and Services

- Works and services relating to *water* supply, sewage and stormwater disposal (Policies FC-P1 – P6).

Anticipated Environmental Results

The following results are expected to be achieved by the foregoing Objectives, Policies and Methods. The means of monitoring whether the Plan achieves the expected outcomes are set out in the Whangārei District Council Monitoring Strategy.

- The efficient and timely provision and/or upgrading of infrastructure and services so as to enable the orderly and sustainable development of the District. This includes the provision of roading, footpaths, street lighting, *water* supply, wastewater and stormwater disposal, solid waste disposal, reserves and community facilities.
- The costs of providing and/or upgrading infrastructure and services to enable development are contributed to by those initiating such development.
- The costs of ameliorating adverse environmental effects resulting from development are borne by those initiating such development.