

Development and Financial Contributions Policy



3 APRIL 2024

TE KAUNIHERA Ā-ROHE O WHAKAORIO

MASTERTON
DISTRICT COUNCIL

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POLICY NUMBER: MDC027

Latest Version	March 2024
Adopted by:	Masterton District Council
Review Due	March 2027

Purpose

The purpose of this policy is to define the circumstances where Masterton District Council (the Council) will charge development or financial contributions.

Scope

This policy applies to contributions required from developers and subdividers, and new connections to Council's network infrastructure.

Policy Statement

The Council will charge financial contributions using the provisions of section 108 of the Resource Management Act 1991 (RMA), specifically using the Wairarapa Combined District Plan (WCDP).

The key resource management issue for financial contributions is:

New subdivision and development increases demand on essential infrastructure, such as reserves, water supply, wastewater disposal and roads, resulting in the need to upgrade and extend infrastructure – identifying, planning and recovering such costs over the long-term is important to sustainable management.

The WCDP states the full extent of requirements of developers to meet the full actual cost of the water supply, wastewater and stormwater system within their development.

As subdivision and growth occurs, the existing amenities and infrastructure come under pressure. Financial contributions are a way of ensuring that any adverse effects from subdivision and development on the environment or on community resources are minimised. Such contributions can be in the form of money, land, works or services and may include the provision of roads or services, the protection of an important historic or natural feature, the visual enhancement of a site through landscape treatment or the provision of access to a hitherto inaccessible river or stream.

Proposed Wairarapa Combined District Plan

The Wairarapa Combined District Plan (WCDP) has been in a process of review and revision and is currently (as at February 2024) a Proposed District Plan that has been the subject of submissions. The outcome of the submissions and hearings process is not yet known. Timing of when the new charges will apply remains unconfirmed.

The review of the financial contributions provisions concluded that the current contributions are no longer sufficient to meet the costs of growth and development in the district. Changes are proposed to the way the contributions are calculated. Revised wording has also been proposed to provide clarity and increased certainty.

Due to the uncertainty of the timing and extent of the changes proposed for Financial Contributions provisions in the Proposed District Plan, both current and proposed provisions are listed below.

The table below details the financial contributions (plus GST) that the Council currently requires from developers/subdividers and new joiners.

Financial Contributions – Operative WCDP (current)	
Type of Contribution	Value of Contributions
Reserves Contribution	Urban 3% of Land Value of each new lot Rural 2% of Land Value of each new lot Land Use activities 0.25% of the value of each residential unit.
Roading Contribution	Urban 2% of Land Value of each new lot Rural 3% of Land Value of each new lot In the rural zone a maximum of \$7,500 plus GST applies per new lot for the Roothing and Reserves contributions combined.
Infrastructure Contribution	<ul style="list-style-type: none"> Payable where connections can be made to Masterton urban infrastructure services, \$5,000 (plus GST) per lot or per each residential equivalent use of the services. Payable by existing lots for new connections to Masterton urban services, \$2,000 water supply, \$3,000 sewerage connection. Capital contributions are payable to join/connect to rural water supply and sewerage schemes – on connection for exiting lots and on creation of title for new lots following subdivision. Amounts payable for specific schemes are listed in the fees and charges appendix of the Long-term Plan (LTP). Capacity specific infrastructure charges may be levied per the WCDP (in accordance with the RMA). These charges are dependent on a development's assessed impact on the future network upgrade needs. The current applicable charges are listed in the fees and charges appendix to the LTP.
Development Levy	Charged on commercial developments of over \$1m, 0.5% of the assessed value of the development. On alterations of commercial premises in excess of \$50,000, 0.5% of assessed value of the alterations.

The table on the following page details the proposed financial contributions (plus GST) that the Council will require from developers/subdividers under the Proposed WCDP (changes highlighted).

Financial Contributions – Proposed WCDP

Type of Contribution	Value of Contributions
Reserves Contributions	<p>Urban 3% of Land Value of each new lot Rural 2% of Land Value of each new lot Land Use activities reserves contribution = 1% of the value of each additional residential unit</p>
Transport Contributions	<p>Urban 3% of Land Value of each new lot Rural 3% of Land Value of each new lot In the rural zone a maximum of \$20,000 plus GST applies per new lot for the Roading and Reserves contributions combined. Subject to annual review using BERL Local Government Cost Index. Land Use activities, transport contribution = 1% of the value of each additional residential unit or value of residential unit equivalent for non-residential activities.</p>
Infrastructure Contributions (Water, wastewater & stormwater)	<ul style="list-style-type: none"> Payable where connections can be made to Masterton urban infrastructure services, is an urban services contribution, calculated on a 'Buy-In approach'. Contribution amount is calculated per lot or per each residential equivalent unit of the services. Also, payable by existing lots for new connections to Masterton urban services, is an urban services infrastructure contribution calculated on a 'Buy-In approach'. Contribution amount is calculated per lot or per each residential equivalent unit of the services. 'Buy-In approach' for MDC is defined in this policy (and the LTP) and is based on the 2023 water, wastewater and stormwater network valuations. Capital contributions are payable to join/connect to rural water supply and sewerage schemes – on connection for exiting lots and on creation of title for new lots as a result of subdivision. Amounts payable for specific schemes are listed in the fees and charges appendix to the LTP. Capacity specific infrastructure charges may be levied per the WCDP (in accordance with the RMA). These charges are dependent on a

Financial Contributions – Proposed WCDP	
Type of Contribution	Value of Contributions
	development's assessed impact on the future network upgrade needs. The current applicable charges are listed in the fees and charges appendix to the LTP.
Three Waters Infrastructure Buy-In Approach	<p>The three waters infrastructure assets have been valued as at 30 June 2023. The number of rateable units charged is assessed as at July 2023. An adjustment factor that varies for each District has been identified as needed to ensure the buy-in price for new connections reflects variances in recent investment, future technology and scale as growth occurs.</p> <p>For 2024/25 the urban network infrastructure contribution amount is \$14,255 (+GST) per residential unit equivalent (RUE) as per calculation set out below. For developments with smaller residential units, a discount regime will apply where studio and one-bedroom units = 0.4 RUEs and 2 bedroom units = 0.75 RUEs.</p>
Development Levy	Charged on commercial developments of over \$1m, 0.5% of the assessed value of the development. On alterations of commercial premises in excess of \$50,000, 0.5% of assessed value of the alterations.

Financial Contributions – General

The contributions are contained in a schedule of conditions for a consent in respect to subdivisions of land, where further lots are created, or on application to make a new connection to urban services.

The WCDP makes provision for charging developers for a share of the cost of providing or upgrading infrastructure, where the development is driving the need to upgrade infrastructure to service the development, or the upgrade has occurred in advance of the development and the share is recovering the Council's investment.

As funds are received, they accumulate in the Council reserves and attract interest. There are separate funds for parks and reserves, roading and urban infrastructure contributions. The Council has anticipated a level of income from the contributions and committed some of it to specific capital projects in the 2024-34 LTP. The balance of the income into these funds remains unallocated, but available to be drawn on for projects which qualify with the basis for taking the original contributions.

Revenue Generated

Reserves contributions income averages some \$588,000 per annum over the 10 years of the LTP. Expenditure of these funds includes upgrading of Queen Elizabeth Park and other reserves within the district.

Roading contributions are forecast to average some \$600,000 per annum across the ten years of the 2024-34 LTP plus additional contributions in year 2 and 3 related to two developments (Millard Ave & Chamberlain Rd). Expenditure of these funds includes the upgrading of Millard Avenue and Chamberlain Road to closer to urban standard. Funds may be utilised in the future for roading upgrades and safety improvements.

Urban infrastructure contributions are forecast to average some \$570,000 per annum over the 10 years. Expenditure of these funds provided for in the LTP includes water supply, sewerage reticulation and stormwater asset upgrades. An estimate of \$80,000 per annum is allowed as income tagged to specific infrastructure needs.

Rural sewerage schemes (Riversdale Beach & Castlepoint) have set capital contributions payable on connection or subdivision. Revenue anticipated in the 2024-34 LTP averages \$170,000 pa. This funding will be applied to repay the debt the Council is carrying for those schemes.

Policy Basis

Section 101 (3) of the Local Government Act (LGA) requires that funding must be met from sources that the local authority determines to be appropriate. Financial contributions are collected in compliance with the WCDP and the objectives and policies are as follows:

Objective – Reserves and Open Spaces (p18-12)

To substantially manage and develop the reserve and open space network to cater for current and future community needs and to protect and enhance significant environmental assets.

Objective – Sustainable Infrastructure Development (p18-9)

To maintain sustainable and efficient public infrastructure that meets the additional demand generated by development and subdivision, whilst avoiding, remedying or mitigating adverse effects on the environment.

Subdivision, Land Development and Urban Growth (p18-1)

The primary purpose of financial contributions is to ensure development adequately pays for the cost of the additional demand placed on community assets, including:

Reserves Contributions – Contributions towards meeting the additional demand placed on a district's reserve assets, such as sports fields, parks and open space, and biodiversity.

Infrastructure Contributions – Contributions towards meeting the additional demand placed on network infrastructure such as roading, water supply, stormwater disposal, and sewage disposal networks.

Infrastructure 'Buy-In' calculations 2024/25 (Masterton District)

The following calculations support the amount (\$ value) set as the infrastructure contributions to buy-in to Masterton District Council urban services network and will be applicable when decisions on submissions on the Proposed District Plan are notified. Those decisions may change the financial contribution requirements.

Proposed WCDP - Infrastructure Buy-In Formula

$$\$A \times [B/B+C] \times AF$$

Where:

- A = the replacement cost of the specific reticulation system after adjustment for capital expenditure in this activity at the time the connection is sought;
- B = the number of residential equivalent connections to be added to that reticulation system (technical detail provided), and;
- C = the total number of existing connections to that reticulation system.
- AF = Adjustment Factor which discounts the charge, decided by Council as part of the Development and Financial Contributions Policy and Long Term Plan.

Revised Figures - June 2023 Valuations

Masterton Urban	Replacement Cost	
Water Treatment	21,916,888	
Water Reticulation	123,000,618	
	<u>144,917,506</u>	
Wastewater Reticulation	157,978,860	
Wastewater Treatment	47,177,760	
	<u>205,156,620</u>	
Stormwater network	56,429,493	
	<u>\$A 406,503,619</u>	
Connections (July 2023)		(TUC = Targeted Uniform Charges)
Water TUCs	10,059	
Sewer TUCs	9,891	
Urban area TUCs	10,109	
	<u>C 10,020</u>	
	B	1 (Additional RUE connection)
Full Buy-In based on Replacement Value		
Water	\$ 14,405	Adjusted
Wastewater	\$ 20,740	\$ 5,042
Stormwater	\$ 5,582	\$ 7,259
	<u>\$ 40,727</u>	\$ 1,954
		<u>\$ 14,255</u>
AF (Adjustment Factor)*	35%	
	<u>\$14,255</u>	Infrastructure contribution per connection

* The adjustment factor discounts the full replacement value per connection down to a value that allows equalisation of the variation in investment between the three Districts. It also allows Councils to recognise the impact on future developments if the buy-in price suppresses growth opportunities.

Responsibilities

The Planning and Consents Manager has specific responsibilities with respect to applying this policy in alignment with the WCDP.

The General Manager Finance has responsibility of ensuring revenues are calculated in accordance with the policy and are collected.

Consequences for Breach of Policy

It is considered a breach of this policy if the Council does not receive the revenue it is entitled to. Controls are in place to ensure contributions are calculated correctly and errors are not made. Intentionally under-charging contributions under this policy would be considered a serious disciplinary matter.

Review of Policy

This policy will be reviewed every three years as part of the LTP process. The infrastructure contribution 'buy-in', including the adjustment factor, will be reviewed as part of each LTP and Annual Plan.

The changes to financial contributions that relate to the new WCDP will be applicable from the date the new Plan becomes operative. Should there be changes to the financial contributions during the finalisation of the WCDP, the policy will be reviewed again once the WCDP review is complete.

Related Documents

Wairarapa Combined District Plan (Current & Proposed)

References

Local Government Act 2002

Resource Management 1991

Version Control

Version	Date	Summary of Amendments	Approved By
1	2015	Reviewed as part of 2015-25 Long-Term Plan process.	Masterton District Council
2	27/6/2018	Reviewed as part of 2018-28 Long-Term Plan process.	Masterton District Council
3	31/3/2021	Reviewed as part of 2021-31 Long-Term Plan process.	Masterton District Council

Version	Date	Summary of Amendments	Approved By
4	03/04/2024	Reviewed as part of 2024-34 Long-Term Plan process.	Masterton District Council