

Development Contributions Policy 2025

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All parts of this policy, so far as they relate to wastewater and water, from 1 July 2026 are no longer applicable to Waikato District Council. The parts of this policy relating to wastewater and water are now adopted by IAWAI through its separate Development Contributions Policy 2026 under s120(1) of the Local Government (Water Services) Act 2025. IAWAI is responsible for administering those parts of this policy as its own policy.

Advisory note: Applications, from 1 July 2026, within the Tuakau and Pookeno wastewater or water service networks will also be required to pay a Pookeno and Tuakau service connection and authorisation fee per unit of demand in accordance with IAWAI's Fees and Charges), as we do not charge Development Contributions for wastewater and water treatment within those networks.

1 Introduction

- 1.1 Waikato district has experienced significant growth over the past decade which is forecast to continue across the district. Over the next decade a large proportion of this additional growth (approximately 75%) is forecasted to be in the district's towns and villages.

Although growth is often described as positive for the community, it also presents a number of challenges. One of the greatest challenges for Council is expanding its infrastructure networks to cater for increased demand.

The cost of expanding these networks typically comes with a high up-front capital cost. The issue of funding and financing this inevitably arises. A range of funding sources is available to Council including rates, grants, subsidies and development contributions. Funding growth related infrastructure via general rates (or other indirect means) can be inequitable, where existing ratepayers are neither the primary cause nor the primary beneficiaries. Where new infrastructure also benefits the wider community, an appropriate funding balance must be struck.

This document sets out Council's policy on development contributions.

2 Purpose

2.1 The purpose of this policy is to:

- a) Ensure that new development contributes fairly to the funding of Council's infrastructure;
- b) Establish a policy framework for the calculation and application of development contributions;
- c) Set development contribution levies at a level which enables the provision of infrastructure to accommodate growth and delivers on strategic outcomes.

3 Definitions

Accommodation units	units, apartments, rooms in one or more buildings, or cabins or sites in camping grounds and holiday parks, for the purpose of providing overnight, temporary, or rental accommodation.
Activity	a good or service provided by, or on behalf of, a local authority or a council-controlled organisation, e.g., water supply, transport networks.
Allotment	has the same meaning given to it in section 218(2) of the Resource Management Act 1991.
Allotment area	the total land area of an allotment.
Applicant	the person/persons that apply for resource consent, building consent or service connection.
Asset Management Plan (AMP)	a Council document outlining how an asset class will be managed, upgraded and expanded as required.
Capital Expenditure	the cost of capital works for network infrastructure, reserves and community infrastructure.
Catchment	the part of the district for which development contributions charges are assessed and charged.

Commercial	any land use involving commercial transactions, or providing commercial or administrative services, and includes offices and banks; but excludes premises or activities involving industrial manufacture or production.
Community facilities	reserves, network infrastructure, or community infrastructure that development contributions may be required for in accordance with section 199 of the Local Government Act 2002.
Community infrastructure	a) means land, or development assets on land, owned or controlled by Council for the purpose of providing public amenities; and b) includes land that Council will acquire for that purpose.
Community outcomes	the outcomes that Council aims to achieve in meeting the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions.
Council	Waikato District Council.
Development	a) any subdivision, building (as defined in section 8 of the Building Act 2004), land use, or work that generates a demand for reserves, network infrastructure, or community infrastructure; but b) does not include the pipes or lines of a network utility operator.
Development Agreement	a voluntary contractual agreement made under sections 207A to 207F of the LGA between one or more developers and one or more territorial authorities for the provision, supply, or exchange of infrastructure, land, or money to provide network infrastructure, community infrastructure, or reserves in one or more districts or a part of a district.
Development Contribution	a contribution - a) provided for in this policy; and b) calculated in accordance with the methodology; and

	c) comprising – i. money; or ii. land, including a reserve or esplanade reserve (other than in relation to a subdivision consent), but excluding Maaori land within the meaning of Te Ture Whenua Maori Act 1993, unless that Act provides otherwise; or iii. both.
District	the Waikato district.
District Plan	the District Plan of Waikato District Council.
Dwelling	any building, whether permanent or temporary, that is used for the purpose of residential accommodation.
Financial Contribution	has the same meaning as Financial Contributions in section 108 (9) (a)-(c) of the Resource Management Act 1991.
Goods and Services Tax (GST)	goods and services tax under the Goods and Services Tax Act 1985.
Gross Floor Area (GFA)	the sum of the area of all floors of the dwelling or buildings measured from the exterior faces of the exterior walls, or from the centre lines of walls separating two abutting buildings but excluding: a) car parking; b) loading docks; c) vehicle access and manoeuvring areas/ramps; d) plant and equipment enclosures on the roof e) service station canopies; f) pedestrian circulation space in an enclosed retail shopping centre; g) any foyer/Lobby or a primary means of access to an enclosed retail shopping centre, which is accessed directly from a public place.
Household Equivalent Unit (HEU)	an average residential dwelling occupied by a household of average size.
Impervious Surface Area (ISA)	the area that is not capable of absorbing water and includes any area that is:

- a) covered by buildings;
- b) covered by decks;
- c) occupied by swimming pools;
- d) used for parking, manoeuvring or loading of motor vehicles;
- e) paved with a continuous surface with a run-off coefficient of greater than 0.45.

Industrial

any land use involving:

- a) premises used for any industrial or trade purposes; or
- b) premises used for the storage, transfer, treatment, or disposal of waste materials or for other waste-management purposes, or used for composting organic materials; or
- c) other premises from which containment is discharged in connection with any other industrial or trade process; or
- d) activity where people use materials and physical effort to:
 - i. Extract or convert natural resources
 - ii. Produce goods or energy from natural or converted resources
 - iii. Repair goods
 - iv. Store goods (ensuing from an industrial process).

Kaumaatua housing

Kaumaatua where situated on Maaori land administered under Te Ture Whenua Maori Act 1993.

LGA

the Local Government Act 2002.

Local Authority

a regional council or territorial authority.

LTP

Council's Long Term Plan.

Maaori Customary Land

land that is held by Maaori in accordance with tikanga Maaori.

Maaori Freehold Land

land, of which the beneficial ownership has been determined by the Maaori Land Court by freehold order.

Methodology	the methodology for calculating development contributions set out in Schedule 13 of the LGA.
Minor dwelling	any dwelling in addition to the main dwelling, not on its own Record of Title, and with a gross floor area that does not exceed 70 square metres and includes any vehicle, trailer, tent, marquee, shipping container, caravan or boat, whether fixed or moveable, used as a dwelling regardless of whether or not it connects to council services.
Network infrastructure	the provision of roads and other transport, water, wastewater, and stormwater collection and management.
Network utility operator	has the same meaning as in section 166 of the Resource Management Act 1991.
Non-residential development	any development where the intended land use is not residential or rural. It further includes, but is not limited to, commercial and industrial (as defined).
Papakaainga housing	a group of houses situated on Maaori land administered under Te Ture Whenua Maori Act 1993 as a 'community' which may include broader support and occupant involvement.
PPI	the Producers Price Index Outputs for Construction provided by Statistics New Zealand.
Residential development	the development of residential allotments (lots), dwellings or other accommodation units.
Resource consent	has the same meaning as in section 2 (1) of the Resource Management Act 1991 and includes a change to a condition of a resource consent under section 127 of that Act.
Retirement village	has the same meaning in section 6 of the Retirement Villages Act 2003.
RMA	the Resource Management Act 1991.
Service connection	a physical connection to a service provided by, or on behalf of, Council.

Service connection fee	a charge for physically connecting to a service provided by, or on behalf of, Council.
Subdivision	has the same meaning as in Section 218 of the Resource Management Act 1991.
Third party funds	funding or subsidy, either in full or in part, from a third party. e.g., New Zealand Transport Agency subsidies for the roading network.
Unit of demand	the measure of demand for community facilities.

4 Navigating this document

This document comprises the following sections:

Section 1 is an **introduction** to the policy.

Section 2 states **purpose** of this policy.

Section 3 lists **definitions**.

Section 4 how to **navigate** this document.

Section 5 sets out **engagement**.

Section 6 provides a brief **overview of the policy**, including the purpose of development contributions, when contributions may be required, the types of development that may be charged, and other general information regarding development contributions.

Section 7 addresses the **adoption and implementation** of this policy, including the date of adoption, the frequency and scope of policy reviews, and any transitional provisions.

Section 8 summarises **growth** projections, capital expenditure and policy rationale.

Section 9 presents the **schedule of development contributions charges** and details any limitations on the use of those funds.

Section 10 provides a simple flowchart diagram that shows **how to calculate** the contributions payable on developments.

Section 11 demonstrates the **application of the policy** to various development activities including **special assessments** and **development agreements** and outlines how credits are granted.

Section 12 presents Council's policy on **remissions, reconsiderations, objections, refunds, and postponement** of development contributions.

Section 13 provides details on **additional administrative matters**, such as invoicing and payment, service connection fees and the handling of GST.

Section 14 outlines **how demand has been measured**, including the definition of household equivalent units.

Section 15 presents the overview of the **methodology**.

Section 16 presents the methodology used to calculate charges and outlines the **significant assumptions** underlying this policy.

5 Significance

5.1 Any changes proposed as a result of a review of this policy must be consulted on in accordance with s82 of the LGA.

6 Policy statements

6.1 Purpose of development contributions

The purpose of development contributions under the LGA is to recover from persons undertaking development a fair, equitable, and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term.

It is Council's position that costs of growth-related capital expenditure should largely be borne from participants in the property development process, rather than from rate payers at large or any other indirect funding source.

6.2 When development contributions may be required

According to the LGA, development contributions may be required in relation to developments if:

- a) the effect of the developments is to require new or additional assets or assets of increased capacity¹ and, as a consequence,
- b) Council incurs capital expenditure to provide appropriately for those assets.²

Council is also entitled to require a development contribution for capital expenditure already incurred in anticipation of development.

Under section 197AB(2) of the LGA assets include eligible infrastructure that has been, or is intended to be, transferred by a responsible SPV to a responsible

¹ "Assets" are reserves, network infrastructure or community infrastructure.

² In this context, "effect" includes the cumulative effect that a development may have in combination with other developments.

infrastructure authority under section 90 of the Infrastructure Funding and Financing Act 2020.

6.3 Relationship to Financial Contributions under the Resource Management Act (RMA)

Council continues to collect Financial Contributions that have been previously required under the Resource Management Act (RMA). Council no longer applies Financial Contributions under the RMA and they have been removed from the Proposed District Plan.

6.4 Types of development that may be charged

Any residential or non-residential development that generates a demand for community facilities may be liable for development contributions.

6.5 Types of activities that may be funded

Council may charge development contributions to help fund the total capital cost of:

- a) *Network Infrastructure* – This includes roads and other transport, water, wastewater, and stormwater networks.
- b) *Community Infrastructure* – This includes land purchases or the development of assets on land owned or controlled by Council to provide public amenities.
- c) *Reserves* – this includes both acquisition and development of land used to provide public open space.

Note that onsite works (within the boundaries of each development) which are the responsibility of developer are not funded by development contributions and do not form part of this policy.

6.6 Te Ture Whenua Maori Act 1993

Section 102(3A) of the LGA requires development contributions policies to support the Principles set out in the Preamble to Te Ture Whenua Maaori Act 1993. That Preamble refers to facilitating the occupation, development and utilisation of Maaori land and the establishment of mechanisms to assist Maaori in the achievement of the principles.

Council has considered how development on Maaori land will be assessed for development contributions, in a way which supports the principles to Te Ture Whenua Maaori Act 1993. As a result, it has decided that the method of assessing DCs for development on Maaori land will be as follows:

- Papakaainga Housing will be assessed using the same method as Minor Dwellings.

- Kaumaatua Housing will be assessed using the same method as Retirement Villages.
- Marae re-development on Maaori customary land: Buildings like wharenui, will not attract development contributions unless the building is for a commercial purpose, for example, a kohanga reo run as a business.
- Other development on Maaori land: Any development on Maaori land where the purpose of the building is commercial/business focused will attract development contributions. These buildings will be assessed as per the non-residential activities in section 11.4.

7 Adoption, implementation and review

7.1 Timing

Section 198(2) of the LGA says that Council may only require a development contribution as provided for in a development contribution policy. Section 198(2A) of the LGA states: 'For the purposes of subsection (2), a development contribution must be consistent with the content of the policy adopted under section 102(1) that was in force at the time that the application for a resource consent, building consent, or service connection was submitted, accompanied by all required information.'

This policy (including any amendments) applies to any application for resource consent, building consent, certificate of acceptance or service connection submitted on, or after 1 July 2025.

Applications lodged prior to this date and accompanied by all required information will be assessed under previous development contributions policies. The method for calculating current charges payable under previous policies are available on Council's website

<https://www.waikatodistrict.govt.nz/your-council/development-contributions>

Note: that in order for the charges within the current policy to apply to a development that already has consent, the existing consent would need to be surrendered, and a new consent obtained. Applicants would need to give consideration to the impact of any changes in the district plan that may have come into effect during the corresponding period.

7.2 Frequency and scope of reviews

As required by the LGA, Council will review this policy at least once every three years (or more frequently if deemed necessary). Such reviews may be triggered by, and will take into account, the following factors to the extent they are material:

- a) any changes to the significant assumptions underlying the development contributions policy.
- b) any changes in the capital works programme for growth.
- c) any significant changes in the costs of labour, construction or technology.
- d) any changes in the expected nature, scale, location or timing of development.
- e) any changes that require new or significant modelling of the networks.
- f) any changes to the District Plan.
- g) the regular reviews of the Funding and Financial Policies, and the LTP.
- h) any other matters Council considers relevant.

Each review will include, as appropriate, an analysis of relevant factors listed above. Any proposed changes will be carefully considered, and subject to consultation under Sections 82 and 82A of the LGA.

In addition to these regular reviews, Council may, in accordance with Section 106(2C) of the LGA, annually increase its charges (excluding the portion relating to interest), in accordance with the rate of increase (if any), in the PPI since the development contribution was last set or increased. Council will make publicly available information setting out details of the adjustment before it takes effect.

8 Planning for growth

This section presents historic and future growth trends, which provide both the context and need for this policy. It also outlines capital expenditures required to service the amount of growth in the district.

8.1 Growth Projections

Accurate growth projections are a fundamental component of any development contributions policy. They help determine the extent of capital works required to service growth, as well as the level of demand over which the resulting costs should be spread.

Appendix 5 of this Policy contains the growth data.³

8.2 Capital expenditure required to service growth

³ Council formally adopted the University of Waikato 2021 high growth scenario as its default growth projection on 21 September 2021. In alignment with Future Proof partners, in June 2023, the WDC adopted UoW2021 high growth projections as the base scenario to inform its 2025-2034 LTP. The growth projections (SA2 level1) were generated by the University of Waikato's (UoW) National Institute of Demography and Economic Analysis (NIDEA), completed at the end of March 2021 taking into account the 2018 Census data and the impacts of Covid-19 on international migration. The full technical report can be downloaded from www.waikatoregion.govt.nz.

Appendix 3 contains a table presenting capital expenditures (from the LTP) that Council expects to incur to meet the increased demand for community facilities resulting from growth. Appendix 3 also states the proportion of the total cost of capital expenditure funded from development contributions, financial contributions, and other sources. It also identifies historic growth-related expenditures that Council has incurred in anticipation of demand. These will also be recovered from future development through this policy. Section 201A(1)(e) of the LGA requires Council to include eligible infrastructure transferred or intended to be transferred by a SPV (Special Purpose Vehicle) into its schedule of assets.

Council does not currently have any SPV's in the District.

Appendix 4 relates to specific Parks and Reserves infrastructure that was completed or substantially underway in August 2014 which fell outside the LGA definition of 'community infrastructure' from the amendments to the LGA 2002. Council is able to continue to recoup these costs via the development contributions method in accordance with clause 15 of schedule 1AA LGA 2002.

Appendix 5 contains information on interest for Capital works.

8.3 Policy rationale

Section 106(2)(c) of the LGA requires Council to explain – in terms of the matters outlined in section 101(3) of the LGA - why it has determined to use development contributions to meet the expected capital expenditure set out above in Section 8.2 of this policy.

8.3.1 Community outcomes

Council's growth-related capital expenditure primarily contributes to the "Economy" community outcome, as set out in Waikato District Council's LTP:

"We champion sustainable growth in our local economy. We support local enterprise and encourage innovation and socio-economic prosperity for all, while managing regulatory processes to protect and promote our unique district. We acknowledge our rural and Maaori economies as key contributors to our district's prosperity and sustainability."

The principle of sustainable growth is promoted by fairly apportioning the cost of expenditure necessary to service increased demand to developers. Development contributions provide a suitable method for funding increases in demand.

8.3.2 Distribution of benefits

By definition, capital works to service growth are primarily for the benefit of future residents and businesses. Their purpose is to increase capacity in community facilities to accommodate new users, not to improve service levels for existing users. Using development contributions to fund growth-related works therefore aligns with the principle of benefits-based funding (otherwise referred to as 'user-pays'). The benefits arising from these projects for existing communities and users is assessed and funded separately from development contributions.

8.3.3 Period over which benefits occur

Due to their 'lumpy' nature, most capital works provide additional capacity for long periods of time. Thus, in order to achieve intergenerational equity, and avoid over-recovery of costs from a particular cohort of developers, Council must fund them over relatively long-time spans, too.

Development contributions facilitate this by spreading the cost over multiple years, thereby more closely aligning the period of funding with the period of benefit. Council has used a maximum cost recovery period of 25 years as the interest impact beyond this period is deemed to be uneconomic.

8.3.4 Need to undertake activity

Development related growth pressures are a key driver of capital works funded by development contributions. Hence, requiring them to be largely funded by the growth community ensures that costs are borne by those who cause them to be incurred. This is both efficient and equitable.

Non-growth-related capital expenditure is not funded by development contributions. The benefits from new or improved infrastructure for existing users are funded instead by loans to be repaid by rates income over time. Appraising the overall benefits to the community is an important part of determining the correct apportionment of costs between growth and existing users.

8.3.5 Separation from other activities

Growth-related capital works do not usually stand-alone within Council's capital works programme; they are usually included within much larger projects that simultaneously cater for a number of different needs.

The use of development contributions to fund the growth components means Council must allocate the costs of capital works between various project drivers and recover those costs accordingly in proportion to the persons who will benefit from and create the need for the assets provided.

8.3.6 Overall impact on the community

Council considers that recovery of growth-related capital expenditure from developers through development contributions will best support the social, economic, environmental and cultural well-being of the community. Unless the funding exists for the community facilities necessary to provide these benefits, they will not be built. The economic well-being of the community is best served by the costs of such facilities being borne by those creating the need for them, namely the growth community, via development contributions. This allows other council revenue to be used for other purposes which benefit the community more generally.

8.3.7 Catchments

Whilst some services, such as roading, are generally available to all district residents on an unrestricted basis, the size and diversity of geographical characteristics across the district help define local catchments for services such as water supply, wastewater and stormwater. These characteristics, as well as the nature of specific projects, have been used to define catchment areas for the assessment and recovery of development contributions. Catchment areas vary between services, for instance a wastewater network may extend further than a natural stormwater catchment. As a consequence, development contributions vary across the district depending on the extent of works providing additional capacity.

Appendix 2 contains the Catchment Maps relating to this policy.

In terms of reserves and community infrastructure the proposed works form part of a district-wide network that is available to all residents. It is not practical to distinguish between the level of benefit that growth in one part of the district, as opposed to growth in another part of the district, may receive from increasing the capacity of these network assets. Having district-wide catchments for these activities provides, on average, a lower development charge than would be experienced via a local catchment-based approach and is consistent with fairness and equity considerations of Council's other funding policies e.g., general rather than targeted rates fund the ongoing operational and maintenance costs of these services.

The district comprises a large rural area with multiple small urban areas. Its significant growth areas (Te Kauwhata, Pokeno, Tuakau and Tamahere) will have relatively few HEUs, even when anticipated development is complete relative to the total HEUs in the District. The capital cost of providing reserves and community

infrastructure in catchments based on these small growth centres, or indeed any other basis that is less than catchment-wide, would be prohibitive on a per HEU basis. It is Council's policy that all residents should have reasonable access to reserves and community infrastructure, and to make that more feasible the cost is shared by all users.

Accordingly, development contributions for reserves and community infrastructure are charged on a district-wide basis as it would be impractical to do otherwise.

To clarify: Council sets charges for water, wastewater and stormwater on a catchment-specific basis, but sets charges for roads, reserves and community facilities on a district-wide basis. In addition, Council has set catchment-specific roading charges where significant area-specific works are required. E.g., new structure plan areas.

9 Charges, usage and limitations

9.1 Schedule of charges

Appendix 1 contains a schedule of development contributions charges.

To incentivise early development the calculated levies for each year of the LTP include a long range (20 year+) consumer price index adjustment of 2.5% per annum. If these discounts help drive development to occur earlier than anticipated this will in turn reduce the amount of interest originally estimated and trigger a review of the charges based on the factors discussed in Section 7.2.

Council will make publicly available information setting out details of the adjustment before it takes effect.

9.2 Use of development contributions

Council will use development contributions only on capital expenditure for the activity for which they are collected. This will be undertaken on an aggregated project basis for each catchment. Development contributions are not used for maintenance of reserves, network infrastructure or community infrastructure.

Contributions may not be redistributed across catchments or across activities, but they may be reallocated across projects within a catchment for a given activity. Thus, for instance, contributions collected for water projects in a specific water catchment will only be spent on water projects in that catchment.

9.3 Limitations

Council will not require a development contribution for network infrastructure, reserves or community infrastructure in the following cases:

- a) where, under S108(2)(a) of the Resource Management Act (RMA), it has imposed a condition on a resource consent in relation to the same development for the same purpose; or
- b) where the developer will fund or otherwise provide for the same reserve, network infrastructure, or community infrastructure; or
- c) where it has already required a development contribution for the same purpose, in respect of the same building work, whether on the granting of a resource consent, building consent or on the issuing of a certificate of acceptance; or
- d) where it has received, or will receive, funding for or provision of the reserve, network infrastructure or community infrastructure from a third party.

Despite (c) above, Council may require a development contribution to be made for the same purpose if that is required to reflect an increase in the scale or intensity of the development since the original contribution was required.

10 How to calculate contributions payable

The following table demonstrates how to calculate the contributions payable on a development.

Step	What to do	Where do I find it?
1. Identify catchments	Using the catchment maps, identify what catchment your development falls in for each development contribution.	Appendix 2
2. Identify contribution payable	Use the development contributions schedule to identify the contributions payable per unit of demand for the catchments identified in step 1.	Appendix 1
3. Calculate the number of Household Equivalent Units (HEU)	Use the units of demand table to calculate the number of HEUs generated for each activity. Subtract any credits that may apply. (In general credits are given for the pre-existing status of properties. Credits may also be granted for	Section 14 Section 11.9

	historic payments of development or financial contributions).	
4. Calculate charges for each service	Multiply the HEUs calculated in step 3 by the contributions payable identified in step 2.	
5. Aggregate charges	Calculate the total development contributions payable by adding together the charges calculated in step 4.	

11 Assessment and application of policy

Advisory note: Applications, from 1 July 2026, within the Tuakau and Pookeno wastewater or water service networks will also be required to pay a Pookeno and Tuakau service connection and authorisation fee per unit of demand in accordance with IAWAI's Fees and Charges), as we do not charge Development Contributions for wastewater and water treatment within those networks.

11.1 Timing of assessment

Whether or not a development will have to pay development contributions will usually be established at the time of granting/issuing:

- a) a resource consent under the RMA for a development;
- b) a building consent under the Building Act 2004; or
- c) an authorisation for a service connection; or
- d) a certificate of acceptance under the Building Act 2004.

11.2 Assessment process

The assessment process starts with Council checking:

- 1. that the application before it relates to a development, as defined in this policy;
- 2. that the development, alone or in combination with other developments, will have the effect of requiring Council to incur capital expenditure on community facilities (or Council has already incurred such capital expenditure);
- 3. that the policy provides for a development contribution to be required in the circumstances.

Assessment of whether development contributions will be required will normally be made against the first consent application lodged for each development, and

when (if any) subsequent consent is sought, a re-assessment will be undertaken. If, for whatever reason, development contributions were not assessed at the first available opportunity, they still may be required at subsequent consenting stages in the development process. This includes where a development, which could only be assessed for some activities under the policy that applied when it was first assessed for development contributions, can be assessed for additional activities under a later policy.

The main exceptions to contributions being assessed on the first consent application are Retirement Village and Kaumaatua Housing developments, which will be assessed for development contributions at the building consent stage (which typically occurs after a resource consent application for that development has been lodged).

11.3 Residential developments

11.3.1 Resource consent applications

The creation of residential allotments via subdivision provides scope for new dwellings and therefore attracts development contributions at a rate of one HEU per additional allotment or service connection.

Where the property being subdivided is vacant land that has never been connected to services, development contributions for services will be charged for all allotments with no credit given for the existing allotment.

Any resource consent application that creates the potential to build additional independent dwellings will also attract development contributions at a rate of one HEU per *additional* allotment, service connection or dwelling.

When building on a vacant lot that does not have existing service connections, development contributions will be charged for the required services.

Minor Dwellings will be assessed as per Table 1 below:

Minor dwellings with a GFA up to 45m² shall be charged as a 0.5 HEU.

Minor dwellings with a GFA between 45m² and 70m² will be assessed for development contributions on a per bedroom basis using three categories, being one, two, or three bedrooms with a HEU of 0.5, 0.75 or 1 HEU respectively.

Dwellings less than 70m² GFA which are part of Papakaainga Housing will be assessed in the same way as for Minor Dwellings.

Table 1. Household Equivalent Units (HEU) Minor Dwelling and Papakaainga Housing

Gross floor area (GFA)	Less than 45m ²	Between 45m ² and 70m ²	Between 45m ² and 70m ²	Between 45m ² and 70m ²
Number of bedrooms	N/A	1	2	3
Number of HEUs	0.5	0.5	0.75	1

11.3.2 Building consent applications

Dwellings constructed on allotments with registered titles may attract development contributions under this policy. The amount of any contributions payable will depend on whether development contributions assessed when granting an earlier resource consent for the development have been paid, as well as the specific services that the development is connected to.

If development contributions were not assessed when granting an earlier resource consent for a development, development contributions will be assessed when granting a building consent for that development.

If development contributions were for an activity assessed when granting an earlier resource consent for a development, development contributions will still be assessed when granting a building consent for that development, but any contributions for that activity that have already been paid will attract credit (in HEUs). Where contributions were not assessed for an activity when granting an earlier resource consent, they will be assessed for that activity when granting a building consent for the same development.

Additions and alterations to residential dwellings do not attract development contributions unless they create additional independent dwelling units. Thus, garages, car ports and garden sheds do not attract contributions.

Minor Dwellings will be assessed as per Table 2 below:

Minor dwellings with a GFA up to 45m² shall be charged as a 0.5 HEU.

Minor dwellings with a GFA between 45m² and 70m² will be assessed for development contributions on a per bedroom basis using three categories, being one, two, or three bedrooms with an HEU of 0.5, 0.75 or 1 HEU respectively.

Dwellings less than 70m² GFA which are part of Papakaainga Housing will be assessed in the same way as for Minor Dwellings.

Table 2. Household Equivalent Units (HEU) Minor Dwelling and Papakaiainga Housing

Gross floor area (GFA)	Less than 45m ²	Between 45m ² and 70m ²	Between 45m ² and 70m ²	Between 45m ² and 70m ²
Number of bedrooms	N/A	1	2	3
Number of HEUs	0.5	0.5	0.75	1

Retirement Villages will be assessed on each building consent for a Villa, Apartment, or Care Bed. Accessory buildings that are part of a Retirement Village development but commercial in nature, such as cafes that are open to the public, will be assessed as non-residential developments at the time of building consent.

Kaumaatua Housing will be assessed in the same way as for Retirement Villages.

Retirement Villages and Kaumaatua Housing will be assessed as per Table 2 below:

Table 3. Household Equivalent Units (HEU) for Villas, Apartments and Care Beds

HEU Allocation for Retirement Villages and Kaumaatua Housing			
	Villa	Apartment	Care Bed
District Wide Reserves	0.5	0.5	0
District Wide Community Facilities	0.5	0.5	0
District Wide Roading	0.26	0.26	0.26
Roads & Transport	0.26	0.26	0.26
Water	0.7	0.7	0.7
Wastewater	0.7	0.7	0.7
Stormwater	1.0	Per ISA*	Per ISA*

*ISA means Impervious Surface Area

11.3.3 Service connection applications

Service connection applications accompanied by building or resource consent applications will not be assessed separately. Instead, they will be assessed as per section 11.3.1 or 11.3.2.

Service connection applications that are not accompanied by building or resource consent applications will be assessed in the same manner as resource consent or building consent applications, but only for the activity for which connection is sought.

Applications to separate-out shared water meters will not attract contributions.

11.3.4 Certificates of Acceptance

Where Council grants a certificate of acceptance under the Building Act 2004, a development contribution may be payable at the time of issuing the certificate if a development contribution would have been required had a building consent been granted for the building work in respect of which the certificate is issued.

11.4 Non-residential activities

11.4.1 Subdivision

Subdivisions will attract development contributions on each additional allotment created that is able to be developed, or each service connection required for the first 100m².

Where the property being subdivided is vacant land that has never been connected to services, development contributions for services will be charged for all allotments with no credit given for the existing allotment.

If the intended built form/design and land use is unknown at the time of granting subdivision consent, each allotment will be charged a development contribution based upon the HEUs set out in Table 2 in Section 14.3⁴. Development contributions will then be reassessed at the time a building consent, land use consent or service connection application for the same development is granted.

Any additional demand over that originally assessed when granting the subdivision consent will require additional development contributions to be paid to reflect that additional demand.

⁴ At time of non-residential subdivision only the first 100m² is charged. Table 2 sets the 100m² being 0.4 HEU for roading and 0.25 HEU for water and wastewater per 100m²

If the intended built form is known at the time of subdivision, contributions will be based on each lot's planned gross floor area (GFA) and the intended land use.⁵

11.4.2 Land use and building consent applications

Non-residential developments will attract development contributions based on their GFAs and intended land use.

When building on a vacant lot that does not have existing service connections, development contributions will be charged in relation to the required services.

11.4.3 Service connection applications

Service connection applications accompanied by building or resource consent applications will not be assessed separately. Instead, they will be assessed as per section 11.4.1 or 11.4.2.

Service connection applications not accompanied by a building or resource consent will be assessed in the same manner as resource consent or building consent applications, but only for the activity for which connection is sought.

Applications to separate shared water meters will not attract contributions.

11.4.4 Certificate of Acceptance

Where Council issues a certificate of acceptance under the Building Act 2004, a development contribution may be payable at the time of issuing the certificate if a development contribution would have been required had a building consent been granted for the building work in respect of which the certificate is issued.

11.5 Council developments

Council is exempt from paying development contributions on any development for which development contributions are otherwise required. However, any development within the district undertaken by other local authorities may be liable for development contributions.

11.6 Special assessments

⁵ Noting that stormwater charges will be based on the impervious surface area of each non-residential development, not the gross floor areas.

The approach taken to identify a long-term infrastructure programme and the required expenditure is based upon “averaging” the likely demand from anticipated development, acknowledging that some development will create a higher level of demand, and some will create a lower level. This approach is also reflected in the development contributions policy.

There is the possibility that some development may be proposed that would have markedly different characteristics from “typical” residential or non-residential development in terms of demand for infrastructure capacity, for instance:

- a) Early childcare centres, kindergartens, schools, technical training institutions and universities
- b) Hospitals, palliative care facilities, medical facilities (doctors’ surgeries)
- c) Accommodation activities e.g., traveller’s accommodation, farm stay accommodation, hostels/backpackers, hotels and motels
- d) Wet industry including water bottling facilities, high use water and/or wastewater activities
- e) Chicken sheds, bulk store facilities
- f) Supermarkets

Special assessment provisions will apply to such types of development, and any other development that is considered by Council to generate a level of demand that is significantly in excess of, or significantly lower than, the levels identified in section 14.

A decision on whether a special assessment will be undertaken will be made by Council at the application stage once details of the development are known. Applicants are expected to provide supporting information and detailed calculations of the likely demand for roading, water, wastewater and stormwater capacity to enable a special assessment to be undertaken. This information will be used to calculate an equivalent HEU and the development contributions for the development will be charged accordingly.

11.7 Development Agreements

In some circumstances a development may have particular needs, such as a specific level of service for water supply, or may involve the provision of infrastructure as part of the development. Another unusual circumstance is where a significant development is proposed, and capital expenditure is required but none has been budgeted. In these circumstances, where Council believes it is in the best interests of the community, development agreements may be entered into with a developer. Development agreements may be used in lieu of charging development contributions (at Council’s sole discretion) where a developer and Council agree that particular infrastructure and/or services can be provided in a

manner different to Council's standard procedures/guidelines, and where Council's minimum level of service will be achieved.

Such agreements must clearly state:

- a) the rationale for the agreement;
- b) the basis of any cost sharing;
- c) how and when the associated infrastructure will be provided;
- d) which lot(s) the agreement refers to; and
- e) the matters set out in section 207C(2) and (3) of the LGA.

11.8 Application in other circumstances

11.8.1 Cross-boundary developments

Some developments may span more than one catchment and/or straddle the boundary between the district and another territorial authority's district. In this event, the following rules will apply:

- a) Where a development spans more than one catchment, the total HEUs of that development will be allocated to the various catchments on the basis of site area. The resulting number of HEUs in each catchment will then be used to calculate contributions payable.
- b) Where a development straddles the district boundary with another territorial authority, development contributions under this policy will only be payable to Waikato District Council on the HEUs (or parts thereof) that are located within the Waikato District. (development contributions may also be payable to other territorial authorities, for the HEUs located within their district).

11.8.2 Consent variations

Applications to change or cancel resource consent conditions or to amend a building consent will trigger a reassessment of development contributions. Any increase in the number of HEUs (relative to the original assessment) will be calculated and the contributions adjusted to reflect this. No automatic refund will be made for any decrease in the number of HEUs relative to the original assessment.

11.8.3 Boundary adjustments

Where subdivision consent is granted purely for the purposes of boundary adjustment, and with no increase in the number of allotments, development contributions will not be required in respect of the allotments created.

11.9 Credits

11.9.1 Overview

As shown in section 10, the calculation of contributions payable requires Council to assess whether any credits shall apply. There are two types of credit. The first relates to development contributions that have already been paid in the past. For instance, a development may have paid contributions at the subdivision stage, and these must be taken into account when granting subsequent land use or building consents for the same development, or if any further or additional development triggers reassessment at subsequent stages.

In general, credits will be given towards the activities for which payment was made on a 'HEU by HEU' basis. Thus, if a development has already paid for two water HEUs, a credit for two water HEUs will be given at any reassessment. To clarify: credits are not provided for the dollars paid, but for the number of HEUs to which any previous payments correspond.

Credits will apply per activity. If development contributions were not required for an activity on a development's first consent application (and not then paid by the developer), no credit will be available for that activity when the development is reassessed for contributions on a later consent.

Provided written evidence of payment can be provided, no historical time limit will apply in the recognition of such credits, and all previous credits will be taken into account. This also applies to historic payments for financial contributions to the extent that such contributions related to the same activity for which a development contribution is sought.

The second type of credit relates to the existing use or uses of a site. It recognises that development contributions only apply to increases in infrastructure demands caused by developments. For instance, if a dwelling is demolished and replaced with an equivalent new dwelling, development contributions would not usually apply because there is no corresponding increase in infrastructure demand.

When applying credits for a change of use, credits are calculated on the original use.

For example, if converting a commercial building into residential apartments, credits will be calculated for the existing commercial activity based on GFA for the existing services only. These credits would then offset any development contributions associated with the new residential use. No credits would apply for reserves or community facilities development contributions as these are not applicable to commercial activities.

Another example is if converting a dwelling into a commercial activity then a 1 HEU credit for the existing dwelling would apply to the services connected to the dwelling. The demand for services for the new activity would be calculated, the 1 HEU credit applied, and any additional development contributions required for the additional demand assessed. DCs for reserves and community facilities cannot be credited against other development contributions.

Credits will be associated with the existing title and calculated and assigned to individual activities. More details on the nature of these credits are outlined below.

If a property connects to a service that was not previously available, development contributions will be required for that service connection at the service connection stage in accordance with the provisions of this policy. Also, if a property was not connected to a service prior to 1 July 2024, no credit will be given in respect of the service. That is to say that when subdividing a vacant lot where no water, wastewater or stormwater connections exist, but the service is available, no credit will be given for those services. All lots requiring a connection will be charged (rather than just the *additional* lots being created).

11.9.2 General principles of credit

- a) Residential credits will apply at the rate of one HEU per connected service per existing allotment or independent dwelling unit.
- b) Non-residential credits will be calculated on the basis of the GFA of the existing development and converted to HEUs using the conversion factors set out in Table in Section 14.
- c) On subdivision of undeveloped land, historic credits of one HEU per service connected per existing allotment will be allocated.
- d) For existing non-residential buildings that are extended or demolished and re-built to the same or higher intensity, the assessment of credits will be based only on the existing development prior to rebuilding.
- e) For existing residential buildings that are demolished or destroyed, no development contributions will be payable provided that the same number or fewer independent dwelling units are rebuilt. Any additional units will be assessed for payment of development contributions according to the terms of this policy.
- f) Credits must be allocated to the same allotment or allotments. This prevents the transfer of credits from one allotment to another.
- g) Credit will not be granted for infrastructure provided in excess of that required as a condition of any consent(s) issued by Council.

- h) Credits cannot be used to reduce the total number of HEUs to a negative number. That is to say, credits cannot be used to force payments by Council to the developer.

12 Remissions, reconsiderations, objections, refunds and postponement

12.1 Remissions

Remissions are adjustments to the scheduled charges for a particular activity, either as a percentage or in absolute (dollar value) terms. Remissions will only be granted pursuant to a Council resolution and are not able to be requested by applicants. Remissions are usually triggered by significant changes to the levies or a change of legislation.

12.2 Reconsiderations

An applicant may request a reconsideration of the development contribution payable on their development where there are grounds to believe that:

- a) The development contribution was incorrectly calculated or assessed under this development contributions policy, or
- b) Council has incorrectly applied its development contributions policy, or
- c) The information used to assess the development against this policy, or the way in which Council has recorded or used it when requiring a development contribution, is incomplete or contained errors.

Reconsideration will only be undertaken if requested by the applicant.

All reconsideration requests must be made within 10 working days of receiving notice from Council of the level of development contributions required as per section 199A(3) of the LGA 2002.

Requests must provide the reference number of the relevant consent or service connection and must be short and concise, but fully outline the reasons why reconsideration is being sought and provide sufficiently reliable data to enable a revised estimate of demand and associated development contribution charge to be made.

Requests can be lodged with Council in the following ways:

- email: DCReviewCommittee@waidec.govt.nz
- writing to Council at the following address:
Attention: DC Review Committee
Waikato District Council

Private Bag 544
Ngaruawahia 3742

Requests need to include in the subject line 'request for reconsideration' and the reference number of the relevant Council consent.

In undertaking a review, Council:

- a) must consider the request as soon as reasonably practicable.
- b) may, at its discretion, uphold, reduce, or cancel the original amount of development contributions required on the development and will communicate its decision in writing to the applicant within 15 working days of receiving all relevant information pertaining to the request.
- c) may delegate this role to Council officers or other suitably qualified persons as required.

In reaching a decision, Council will take account of the following matters:

- a) the Development Contributions Policy
- b) any other matters Council considers relevant.

12.3 Objections to development contributions

A formal objections process before development contribution commissioners is available in accordance with section 199 of the LGA. Schedule 13A of the LGA outlines the objection process in detail. Section 150A of the LGA outlines costs of development contribution objections.

12.4 Refunds

There may be occasions where Council must refund development contributions collected under this policy. The specific circumstances in which this may occur – as well as the way in which refunds must be handled - are set out in sections 209 and 210 of the LGA. In essence, refunds may occur if:

- a) the development or building does not proceed; or
- b) a consent lapses or is surrendered; or
- c) Council does not provide the reserve, network infrastructure or community infrastructure for which the development contribution was required.

Any refund will be issued to the consent holder of the development to which the refund applies.

The refund amount will be the contribution paid, less any costs already incurred by Council in relation to the development or building and its discontinuance and will not be subject to any interest or inflationary adjustment.

12.5 Postponement

Council will not consider postponements of contributions payable under the policy.

13 Other administrative matters

13.1 Assessment and invoicing

The LGA allows Council to assess applications (for consents and service connections) at various stages of the development process to determine the extent of any development contributions payable. Council's policy is to undertake such assessments as early as possible, i.e. on the first consent application lodged for a development (except for Retirement Villages and Kaumaatua Housing, where contributions will be assessed when granting a building consent irrespective of whether this is the first consent granted for these developments).

Council may reassess contributions on a subsequent consent application for the same development, at which point it will apply any credits that are available (see section 11.9 above) and take into account any change of the number of HEUs since the previous consent was granted for the development.

An applicant can request an invoice be generated at any time after development contributions have been assessed and the consent has been granted. If not requested by the applicant, an invoice will be issued at the earliest of:

- a) an application for a certificate under section 224(c) of the RMA; or
- b) an application for a Code Compliance Certificate under section 92 of the Building Act 2004; or
- c) an application for a Certificate of Acceptance under section 96 of the Building Act 2004; or
- d) a grant of land use consent where the use triggers additional demand, but a section 224(c) certificate, code compliance certificate or additional service connection is not required.
- e) a request for service connection.

13.2 Timing of payments

The due date for payment will be the date specified in the invoice. If no date is specified contributions must be paid as follows:

- a) For contributions required when granting subdivision resource consents: prior to issue of the section 224c certificate.
- b) For contributions required when granting other resource consents: prior to the commencement of consent.

- c) For contributions required when granting building consents: prior to issue of the Code Compliance Certificate.
- d) For contributions required when granting service connections: prior to connection.
- e) For contributions required when granting certificates of acceptance: prior to issue.

13.3 Non-payment and enforcement powers

Until a development contribution required in relation to a development has been paid, Council may:

- a) In the case of a development contribution assessed on subdivision, withhold a certificate under section 224(c) of the RMA.
- b) In the case of a development contribution assessed on building consent, withhold a Code Compliance Certificate under section 95 of the Building Act 2004.
- c) In the case of a development contribution assessed on an authorisation for a service connection, withhold a service connection to the development.
- d) In the case of a development contribution assessed on a land use consent application, prevent the commencement of resource consent under the RMA.
- e) In the case where a development has been undertaken without a building consent, withhold a Certificate of Acceptance for building work already done.

Council may register the 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, as provided for in section 208 of the LGA.

13.4 Contributions taken as money in first instance

The LGA specifies that contributions may be taken either as money, land or both. Council will usually take contributions as money but may also accept land from time to time at its sole discretion as per the development contributions policy in place at time of assessment.

13.5 Service connection fees

Where physical connections to the network are required, Council will require service connections fees for the following services:

- a) potable water
- b) wastewater
- c) stormwater

These fees relate to the cost of connections rather than the cost of providing additional network capacity: accordingly, they are separate from, and are charged in addition to, development contributions.

13.6 GST

The process for calculating development contributions is GST exclusive. Once all calculations are complete, GST is added to the levy calculations as required by the prevailing legislation and/or regulations of the day.

Note: that while Development Contribution Advice Notices are inclusive of GST, they do not constitute an invoice for the purposes of the Goods and Services Tax Act 1985. Council can issue an invoice on request.

14 Measuring demand

14.1 Units of demand

Units of demand provide the basis for distributing the costs of growth. They illustrate the rates at which different types of development utilise capacity. Council has adopted the household equivalent unit (HEU) as the base unit of demand and describes the demand for capacity from other forms of development as HEU multipliers (also known as conversion factors). These show the number of HEUs that shall apply per 100m² of gross floor area (GFA) for non-residential development. For stormwater, the calculations are based on impervious surface area (ISA), not GFA.

The following subsections outline the demand characteristics of each HEU, and the conversion factors used to convert non-residential demand to HEUs.

14.2 Base units

The following table summarises the demand characteristics of each household equivalent unit, which represents an average household living in a single dwelling.

Table 4: Base Units (Demand per HEU) *Trickle feed only

Activity	Base Unit	Demand per HEU
Roading	Vehicle trips per day	10
Water Supply – Urban	M ³ /day/lot	0.7
Water Supply – Rural*	M ³ /day/lot	1.8

Wastewater	M ³ /day/lot	0.49
Stormwater	Impervious surface area (ISA)	260m ²
Community facilities	Base Unit determined by Level of Service per lot for respective service area	1

14.3 Conversion factors

The following table outlines the conversion factors used to convert non-residential developments to household equivalent units (HEUs). These are the same conversion factors used by Council in the (previous) Development Contribution Policy 2021, which Council considers have been broadly accepted by the community. The factors are also used by other councils. However, Council will continue to monitor the infrastructure demands created by non-residential developments to ensure that these factors remain appropriate, and with a view to review as required.

Council has considered whether to differentiate between types of non-residential development for the purposes of the HUE conversion factors. However, as any choice of subcategory would be somewhat arbitrary, and because developments can significantly differ from other each even within a subcategory, Council considers it more consistent and equitable to have a uniform approach and deal with any anomalies through special assessments which satisfy section 6.6 of this policy.

Note that section 11.6 of this policy allows a special assessment to be undertaken where the application of these factors may result in an unreliable estimate of infrastructure demands.

Table 5: HEUs per 100m² of Gross Floor Area (*ISA for stormwater)

Activity	HEUs per 100m ² GFA
Roading	0.4
Water Supply	0.25
Wastewater	0.25
Stormwater*	0.25
Community facilities	n/a
Reserves	n/a

15 Methodology and significant assumptions

15.1 Methodology overview

The methodology Council uses to calculate development contributions comprises the following eight steps:

Step	Explanation	LGA reference
1. Define catchments	For network-based services, such as water, stormwater and wastewater the total costs are allocated across catchments, which are based on the area to be serviced by the network. For arterial and collector roading networks the catchment is based on urban boundaries. For some more localised infrastructure a sub-catchment is in place. For the small portion of district-wide intersection improvements, safety and pavement rehabilitation works related to growth in the capital works schedule the catchment is the Waikato District. For community infrastructure and reserves the catchment is the Waikato District.	Schedule 13(1)(a) Section 197AB(g)
2. Define Levels of Service	Review the capital works programme in terms of Council's asset management plans to determine whether there are any shortfalls in the current service levels.	
3. Identify growth related capital works	Capital expenditure already incurred in anticipation of growth, net of third-party contributions. The proportion of total future capital works planned in the LTP resulting from growth. Service level and renewal related costs are met from funding other than development contributions.	Schedule 13(1)(b) Section 101(3)

4. Allocate project costs between growth & non-growth drivers	100% of growth-related capital expenditure will be funded by development contributions. The costs relate directly to expenditure within the LTP, and the proportion identified for growth can be reasonably identified. The cost of capital (interest) is split between growth & non-growth. The growth-related interest is included in the development contribution charge, and the non-growth related interest is ratepayer funded.	Section 106(2)(b)
5. Define appropriate units of demand	Council will use household equivalent units (HEUs) differentiated on a residential and non-residential basis. For residential development, HEU charges will be applied uniformly for each dwelling for simplicity and cost effectiveness of administration. Further dwellings will also have the charges applied on this uniform basis. For non-residential development, HEUs are calculated on the basis of Gross Floor Area (GFA) and Impervious Surface Area (ISA) conversion factors. Water, wastewater and stormwater conversions equate to 1 HEU for every 400m² of GFA (ISA for stormwater). Roading conversions equate to 1 HEU for every 250m². Where demand is demonstrably different from the demand outlined in this policy, a special assessment is likely to be required.	Schedule 13(1)(b)

6. Identify the capacity life for growth	The period where spare capacity is available for new users will vary across each asset. Costs are distributed over the capacity life of a project to a maximum of 25 years. Beyond this period the interest impacts are deemed uneconomic.	Section 197AB(b) Schedule 13(1)(b) and (2)
7. Allocate costs to each unit of demand	The development contribution per HEU is calculated by spreading the total cost of capital expenditure resulting from growth (including debt servicing) of each catchment across their capacity life.	Schedule 13(1)(b)
8. Calculate fees by activity and catchment	A schedule of charges is included in the policy to enable development contributions to be calculated by infrastructure type and catchment. The significant assumptions, criteria for credits, remission, reconsiderations and refunds, valuation basis for maximum reserve charges and catchment maps support this policy.	Section 201(2) Section 201(1)(a), (b), (c) and (d)

A detailed discussion of this method is provided in the Development Contributions Method Report (available at Council's offices). A brief summary of the report is as follows:

16 Method steps

16.1 Define catchments

Service catchments are geographic boundaries within which linkages can be created between infrastructure investments and the specific developments that benefit from those investments and/or which cause them to occur. The smaller the catchment; the tighter these linkages become.

For example, suppose Council installs a water treatment plant to serve a small area of growth. If a catchment is used to isolate the specific developments that caused that particular investment to occur (and which will receive direct service from it), only those developments will help fund its costs. If a catchment is not

used, however, the costs of that investment will be spread across all the developments in the district, regardless of whether they caused (or benefited from) the investment.

Given the intentions of the LGA - to allocate costs on the basis of causation and benefits received - it follows that catchments should be used where appropriate, i.e., where the size and diversity of geographical characteristics across the Waikato District define natural catchments for services.

16.2 Define levels of service

Service levels define the quality of service and are typically embedded in Council's asset management plans. Service levels are critically important because they help identify any shortfalls in the existing service and, therefore, the extent to which capital works reflect backlog (to resolve poor existing service levels). This, in turn, informs the allocation of project costs between growth and non-growth drivers.

16.2.1 Identify growth-related capital works

Next, the specific capital works need to be identified for which development contributions are sought. These comprise both future capital works – as listed in the LTP – and historic works undertaken in anticipation of growth.

16.2.2 Allocate project costs

Many of the capital works projects underlying this policy are multi-dimensional. That is to say, very few projects are designed to serve only growth. The reason for this is so-called “economies of scope.” Economies of scope mean that it is cheaper to undertake one project that serves several purposes than to undertake a series of smaller single-purpose projects.

Economies of scope lead to shared costs, and the goal of cost allocation is to spread those shared costs across project drivers (one of which is growth). The cost allocations underlying this policy are based on a two-staged approach. In stage one, the method checks whether a project is to any degree required to service growth. If so, stage two derives a percentage cost allocation. Both stages of the allocation process have been guided by a number of considerations, such as:

- a) Section 101(3) of the LGA. This sets out the issues to which Council must have regard when determining its funding sources. These include the distribution of benefits, (in terms of the period with which the benefits arise and the area that receives that benefit) the extent of any cost causation, and the impacts on community outcomes and policy

transparency. It also requires Council to consider the overall impact of any allocation of liability for revenue needs on the community.

- b) Asset management plans, which provide details about the scale and nature of capital works.
- c) Network modelling, which helps understand the usage of infrastructure networks.
- d) Cost allocation principles, such as standalone costs and incremental costs.
- e) The presence of any third-party funding.

More detail on Council's cost allocation methodology can be found in Council's Development Contributions Method Report (available at Council offices).

16.2.3 Define appropriate units of demand

After identifying the specific capital works for which contributions will be required, we need to identify the unit of demand used to attribute costs to different forms of development. The LGA requires this to be done on a consistent and equitable basis.

Council considers the household equivalent unit (HEU), which captures the demands of an average household, as the appropriate unit of demand, and specifies the demands imposed by other forms of development as multipliers. This approach mirrors that used by other councils in New Zealand.

16.2.4 Identify the capacity life for growth

The capacity life of an asset is the period over which it has spare capacity to accommodate new users. This may differ from its useful life, which is the period over which it remains in service.

In accordance with section 197AB(1)(b), project costs should be spread over the asset's capacity life. This makes sense, because only developments occurring within the capacity life can physically connect to the network and receive benefit from its provision.

In some cases, however, the design life may be very long, and a shorter funding period may be used. In this development contributions policy, costs are spread over an asset capacity life of up to a maximum of 25 years.

16.2.5 Allocate costs to each unit of demand

This is a fairly straightforward exercise and is carried out within the development contributions funding model. It entails spreading the total growth-related costs of each project (along with any debt-servicing) costs to the various developments

that are predicted to fall within the same catchment and within the asset's design life.

16.2.6 Calculate fees by activity and catchment

The final step is to aggregate the costs of each project at the activity/catchment level. The results are then used to derive the schedule of development contributions.

16.3 The funding model

A funding model has been developed to calculate charges under this policy. It tracks all the activities for which contributions are sought, the catchments underlying each activity, and the infrastructure projects related to growth. It also incorporates growth projections for each catchment and each type of development.

The funding model embodies a number of important assumptions, including:

- a) All capital expenditure estimates are inflation-adjusted and GST exclusive.
- b) The backlog, renewal and maintenance portions of each project will not be funded by development contributions.
- c) Methods of service delivery will remain largely unchanged.
- d) Interest will be earned by Council where contributions precede works. Conversely, interest expenses will be incurred (or interest revenue will be foregone) where works precede contributions. Both are calculated at the weighted average interest cost of borrowings.
- e) Any debts incurred for a project will be fully repaid by the end of that project's funding period.
- f) The development contributions will be adjusted on 1 July each year at the rate of increase in the Producers Price Index Outputs for Construction. This has been modelled as an average increase of 1 per cent per annum.
- g) Increases in general rates and user charges - due to increases in the number of ratepayers - will be sufficient to fund increases in operational expenses (including depreciation) associated with growth-related capital works.

16.4 Other significant assumptions

A number of other important assumptions underlie this policy. The most significant of these are outlined below.

16.4.1 Planning timeframe

This policy is based on the ten-year time frame of the LTP and on the principle that costs triggered by growth over that period should be both allocated to, and recovered within, that period. However, in many cases, economies of scale require

Council to build assets of greater capacity that extend beyond the timeframe of the LTP.

Council accepts that, in such cases, it may have to forward fund costs and recover them over time from future developments. Any costs incurred in anticipation of future growth (i.e., beyond the LTP) will be allocated to and recovered in those later years, subject to a maximum total recovery period of 25 years.

16.4.2 External funding

This policy assumes that the eligibility criteria used - and the level of funding provided - by third parties (such as New Zealand Transport Agency) remain unchanged over the life of the LTP.

16.4.3 Best available knowledge

The growth projections⁶ and capital works programme contained in Council's LTP underlying this policy represent the best available knowledge at the time of writing. These will be updated as better information becomes available and incorporated in the policy at review times.

16.4.4 Changes to capital works programme

Deviations from projected growth rates will result in acceleration or delay of the capital works programme (or the re-sequencing of projects), rather than more significant changes to the overall scope of capital works.

16.4.5 Avoidance of double-dipping

Development contributions will not be sought for projects already funded by other sources, such as external subsidies or financial contributions.

16.5 **Identification of risks**

The main risks associated with this policy are uncertainty over (i) the rate and timing of growth, and (ii) the exact nature of future growth-related capital works, and their associated cost and timing. In both cases, the most effective risk mitigation strategy is to constantly monitor and update the policy as better information becomes available.

⁶ This policy is using the UoW 2021 high growth scenario.

