

WAITAKERE CITY COUNCIL



**AGENDA FOR AN EXTRAORDINARY MEETING OF THE COUNCIL TO BE HELD IN
THE CIVIC CENTRE, 6 WAIPAREIRA AVENUE, LINCOLN, WAITAKERE CITY,
ON MONDAY, 5 APRIL 2004 COMMENCING AT 1.30 PM**

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1	APOLOGIES	1
2	DRAFT DEVELOPMENT AND FINANCIAL CONTRIBUTIONS POLICY AND SCHEDULES	1

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1 APOLOGIES



2 DRAFT DEVELOPMENT AND FINANCIAL CONTRIBUTIONS POLICY AND SCHEDULES

PURPOSE OF THE REPORT

AI-A30

This report brings the Draft Development and Financial Contributions Policy and Schedules to Council for consideration in preparation for adoption for consultation as part of the Annual Plan 2004/2005. The draft policy is attached at pages A1 to A26, and the schedules of prices (Schedules A and B) at pages A27 to A30.

BACKGROUND

The Local Government Act 2002 introduced comprehensive new provisions that will allow Local Authorities to recover, as development contributions, the capital expenditures relating to growth. The Local Government Act 2002 (Section 106) requires councils to adopt policies for contributions as part of the suite of Funding and financial policies (Section 102).

The Long Term Community Council Plan 2003 indicated that a policy would be developed by 30 June 2004.

At Council meeting on 25 March, 2003, the Long Term Council Community Plan and Annual Plan Special Committee resolved:

“That a development contributions policy be prepared during the next twelve months in order that the policy be adopted as an amendment to the Long Term Council Community Plan for the 2004/05 year.

That a detailed work programme to progress development contributions be presented to the Finance and Operational Performance and the Environmental Management Committees in June 2003.”

568/2003

In June 2003, both the Finance and Operations Committee and the Environmental Management Committees approved the principles, objectives and timelines of this project:

“That the Finance and Operational Performance Committee approve the principles, objectives and timelines of the Development and Financial Contributions Project as detailed in the report.”

1141/2003

“That the Environmental Management Committee approves the principles, objectives and timelines of the Development and Financial Contributions project as detailed in the agenda report.”

1184/2003

Council has previously developed Financial Contributions as part of preparing the District Plan, and these sections of the District Plan still have appeals outstanding. Staff sought a mandate to approach appellants with a proposal that the Financial Contributions section of the District Plan be removed, with the proviso that Financial Contributions would continue to be taken for environmental effects, in November 2003. The resolutions of the Environmental Committee are as follows:

“That without prejudice discussions be held with the appellants to the District Plan Financial Contribution provisions, with a view to achieving an agreement based on deleting the District Plan’s financial contributions chapter, but retaining those provisions relating to mitigation of environmental effects.

That the outcome of the discussions around the District Plan Financial Contribution provision be reported back to the Environmental Management Committee.”

4131/2003

This process is still underway. However, staff are progressing this issue concurrently with preparing the new Development and Financial Contributions Policy in order to meet the statutory timeframes. Update reports will come to the Environmental Management Committee as progress is made.

The draft policy proposes that reserves also be taken as Financial Contributions under the Resource Management Act.

The draft policy was considered by the Finance and Operations Committee on 8 March 2004, and received by the Environmental Management Committee on 9 March 2004. The following resolutions were passed by the Finance and Operations Committee:

- “1. *That the Draft Development and Financial Contributions Policy report be received.*
2. *That the Draft Development and Financial Contributions Policy be recommended to Council for adoption and for consultation in the Draft Annual Plan 2004/2005, as follows:*
 - a) *that Council take Development Contributions for network and community infrastructure to appropriately provide for the social, economic, environmental and cultural well-being of the community, and*
 - b) *that Financial Contributions be taken under the Resource Management Act provisions for reserves and environmental effects.*
3. *That Council take development contributions from development where the effect, including the cumulative effect of development, is to require new or additional assets or assets of increased capacity, and as a consequence, the Council incurs capital expenditure. This includes capital expenditure Council has already incurred in anticipation of growth.*
4. *That where capital works are required to meet growth then Waitakere City Council will recover the costs over time.*
5. *That where an increased capacity is required to meet the needs of an increasing population this will be considered a cost of growth.*

6. *That where a backlog of work exists, then that cost component will be borne by rates, or Financial Contributions. If undertaking the backlog work increases the capacity of the infrastructure in order to facilitate growth, then the increased capacity component will be funded by developer contributions.*
7. *That a workshop on the Draft Development and Financial Contributions Policy be undertaken before 31 March 2004."*

390/2004

A two-stage policy development programme is being proposed. The introduction of the initial policy and schedules by June 2004 based on the current Long Term Council Community Plan 2003 will of necessity be on the conservative side as unconfirmed future possible costs are not yet included in the Long Term Council Community Plan 2003. A second phase of development will see an updated Development and Financial Contributions Policy and Schedules, consistent with the Long Term Council Community Plan 2006, ready for adoption in June 2006. The two stage programme allows Council to 'test drive' the new policy and schedules as well as complete critical planning exercises in time to include the fine-tuned future growth planning and costs being developed for the Long Term Council Community Plan 2006.

The current draft policy has two schedules of prices, Schedule A for network and community infrastructure costs over the next ten years, and Schedule B for growth costs incurred between 2001 and 2004. Process details will be in Schedule C, which is still in development and will be available after consultation on the draft policy.

STRATEGIC CONTEXT

Development Contributions offer a funding mechanism for Council to achieve key community objectives for lively and effective urban living and working areas. When applied in accordance with Council's key strategic goals, Development Contributions will reflect the expected demands of growth and allow the level of amenity Council seeks to provide its workers, business people and residents. These new provisions allow for development contributions in respect of 'community infrastructure' such as halls and libraries, and other costs of growth that are not restricted to the particular development site, e.g. 'network infrastructure' such as public transport.

The introduction of development contributions by Councils across New Zealand is based on the economic principle that costs should be borne by those who cause such costs. It is expected that this will lead to more efficient allocation of resources.

Also, Council has to invest in advance a considerable amount of money in community and network infrastructure (i.e. libraries and public transport) to create extra capacity to meet the increased demand caused by growth. It is not considered equitable to ask the current ratepayers to pay for community facilities provided for future users because current ratepayers are paying for their share of current infrastructure. Continued rates funding of the costs of growth are neither sustainable, acceptable to the ratepayer, nor provide a cost allocation mechanism which ensures that those who cause the cost, share the cost. Under this policy, it is expected that incoming residents would pay their portion of development cost through their house or other purchase price, and would then contribute to ongoing maintenance through their rates.

With regard to the principles guiding the development contributions policy, the Local Government Act 2002 provides a broad framework. The reasons for choosing development contributions and financial contributions are linked back to the revenue and financing policy and the requirements of Section 101(3). This section outlines the matters that need to be considered in developing the Revenue and Financing Policy which includes the use of development and financial contributions as funding methods.

They are:

- The community outcomes to which the activity primarily contributes;
- The distribution of benefits between the community and any identifiable part of the community and individuals;
- The period over which those benefits are expected to occur;
- The extent to which the actions or inactions of particular individuals or a group contributes to need to undertake the activity;
- The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities;
- The overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental and cultural well being of the community.

This framework enables Council's to take into account the specific strategic goals under community outcomes and the overall impact of development contributions on the current and future social, economic, environmental and cultural well-being of the community.

Council has adopted (June 2003) the following objectives for this policy:

1. That Council can fairly, simply, predictably and robustly, both recover the costs of growth and mitigate the effects of growth.
2. That District Plan appeals regarding financial contributions are resolved.
3. That Monitoring and financial processes are established to assess progress and to assist implementation.
4. That a sustainable development approach will taken in accordance with the Local Government Act 2002 and Council's sustainable development priority in the Long Term Council Community Plan.

ISSUES

Policy summary

The policy as proposed is consistent with the original objectives set by Council. In brief, the policy proposes that:

Council may require development contributions from development where the effect, including the cumulative effect of development, is to require new or additional assets or assets of increased capacity, and as a consequence, the Council incurs capital expenditure. This includes capital expenditure Council has already incurred in anticipation of growth. The incurred capital expenditure itself must also be to provide for community and network infrastructure which provides for the social, economic, environmental and cultural well-being of the community.

The policy provides schedules for contributions for the following asset groups:

Network infrastructure: Schedule A

- Roading;
- Public transport;
- Water Supply;
- Waste water;
- Stormwater.

Community Infrastructure: Schedule A

- Town centre Development;
- Infrastructure on Parks;
- Halls and libraries;
- Leisure facilities;
- Cemetery roads.

Existing works (from 2001): Schedule B

For clarity, under the Local Government Act 2002 'community facilities' are defined as reserves, community or network infrastructure. This draft policy requires development contributions for community and network infrastructure, while reserves will be taken under the RMA, pending further decisions regarding the most appropriate financial contributions rule in the District Plan.

Economic impact on the city

As the new provisions enable Councils to require contributions for a greater range of growth driven costs, the total cost of contributions per household or per business equivalent, to developers, is likely to increase. This is expected to have an impact on household and business prices, and a study of economic and social local impacts has been commissioned.

It should be noted that most Councils in the Auckland region are instituting a development contributions regime, but the cost per household or household equivalent is not necessarily directly equivalent, as there is considerable variation between what is taken as a development contribution or as a financial contribution.

Council could expect some critical comment from the developer community. This will be mitigated by:

- **Comparability** - it is likely that there will be increased development costs across the whole region as each Council will be seeking to impose increased contributions;
- **Consultation** - the consultation processes planned will enable issues to be worked through as they arise.

It should be noted that this is a new area for Council to be involved in, therefore the proposed policy and schedules should be seen as consultation drafts, which may well be amended through further analysis and results of consultation. The Annual Plan consultation process provides opportunities for Council to consider further issues and options prior to adoption by 30 June 2004. Under the Local Government Act 2002, there is no appeal process.

Costs of growth

The costs of growth are a key issue for this city, as it is one of the fastest growth areas in the country as part of the Auckland region. While development contributions can and will contribute to the capital expenditure of the city, it is unlikely that ALL costs of growth can be recovered through this mechanism e.g. impacts of past growth, and the flow-on effect of more assets into the operational budgets. Note that the total capital expenditure budget (as in Table 1 in the policy) includes renewals and other costs that cannot be attributed to costs of growth.

The policy has proposed the following principles to ensure that costs of growth are met by those who incur the cost:

- a) where capital works are required to meet growth then Waitakere City Council will recover the costs over time;
- b) current levels of service are taken as sufficient for the calculation of development contributions, except where an increased capacity is required to meet the demands of an increasing population. In this case, these costs will be considered a cost of growth (such as more park facilities in an established urban area);
- c) where a backlog of work exists, then that cost component will be borne by rates, or Financial Contributions. If undertaking the backlog work increases the capacity of the infrastructure in order to facilitate growth, then the increased capacity component will be funded by developer contributions.

Consultation

The project plan identifies key stakeholders as:

Stakeholder	Action
Funding partners e.g. Infrastructure Auckland, Transfund, Central Government Departments, Watercare Services and others.	Draft policy will be sent for comment during Annual Plan 2004 consultation.
Developers and interested parties	Workshop 27 November 2003, establish focus group, two sessions with focus group March/April 2004, and formal consultation process during Annual Plan 2004. Mail outs to affected parties.
Councillors	Draft Policy to Finance and Operations, Environmental Management March 2004. Full policy and schedules to Council end March for adoption and consultation. Consult and consider as part of Annual Plan process March to June 2004.

Councillors have previously expressed an interest in participating in the developer focus group sessions and this has been arranged for early April 2004.

Peer review process

Legal and technical reviews of the policy are planned into the project programme. There is also considerable regional co-operation in sharing information although in many cases, the circumstances are considerably different and a 'one-size-fits-all' approach is not possible.

Support for strategic objectives

The Development Contributions Policy allows a partial remission of development contributions required for the provision of the three water services - water, waste water and storm water - on developments which install water conservation devices. The rationale for this is that water conservation will result in wider environmental benefits and cost savings to the community.

In other cases, Council may consider negotiating credit to developers where developers have provided works or services that will appropriately reduce the cost to Council or which demonstrate support for sustainable city objectives, provided that Council is satisfied with the quality of such works or services.

It is proposed to include a comprehensive policy on the remission of development contributions to support sustainable objectives, when the current Development Contributions Policy will be reviewed and updated for operation from 1 July 2006. Some of this work is dependent on work currently underway such as the Growth Management Plan and the development of key strategies such as Heritage, Housing, Leisure and Parks.

Relationship with Financial Contributions

Waitakere City Council has a financial contributions policy developed under the provisions of the Resource Management Act 1991 and which is included in the District Plan. However, as these are subject to appeal, Council has been, in practice, collecting financial contributions under the transitional provisions in the Local Government Act 1974. Council has been concerned for some time that many of the costs associated with growth are not being fully met by our current financial contributions mechanisms.

For the sake of clarity, in this policy the following terminology is used:

- **Financial contributions** - means those taken for reserves and for environmental mitigation under the RMA;
- **Development Contributions** - means those taken for community and network infrastructure under the Local Government Act 2002 for the costs of growth.

The Local Government Act 2002 does not provide a legislative basis for contributions to mitigate or offset environmental effects of development activity. This component of financial contributions therefore remains in the District Plan. There are other circumstances where works and services or a financial contribution may mitigate or offset adverse effects, which would otherwise be more than minor. In such cases, effects would normally be required to be avoided, remedied or mitigated on the site of the activity proposed. However, if this is not possible, an opportunity is provided through the District Plan for works and services to be provided off-site, or for a financial contribution to be paid. This opportunity is available at the applicant's initiative only. If offered by the applicant, and considered to adequately mitigate or offset the adverse effect, the works, services or financial contribution may be required as a condition of resource consent.

Reserve contributions

The Council will collect financial contributions for reserves through sections 407 and 409 RMA, pending a decision either to assimilate contributions for reserves into development contributions; or to promote a plan change to include an appropriate financial contributions rule in the District Plan.

Review period

The policy can be reviewed at any time by using the Special Consultative Procedure process under the Local Government Act 2002. However, it is proposed at this time that the policy be reviewed in two years to ensure consistency with the Long Term Council Community Plan 2006. This will enable any new major infrastructure costs to be fully assessed in the development of the Long Term Council Community Plan 2006, and if appropriate, included in the Development Contributions Schedule at that time.

It is proposed that thereafter there be a three-yearly revision process, timed to fit with the three-yearly Long Term Council Community Plan process, that will enable the capture of future increased costs, and any consequent changes in Long Term Council Community Plan projections.

RESOURCES

This project is resourced under the Long Term Council Community Plan and Annual Plan 2003/2004. There is no project budget provision in the Annual Plan 2004/2005 as the main requirements will be staff time. Some funding may be required in the 2005/2006 year for final preparation of the second phase of the policy.

CONCLUSION

Financial contributions and Development Contributions are an important funding tool for the City because they are the means by which some of the costs associated with growth can be allocated to those who cause such costs.

A draft Development and Financial Contributions Policy has been developed for consideration which is consistent with the objectives and principles adopted by Council in June 2003. The draft policy proposes that Council take Development Contributions for network and community infrastructure to appropriately provide for the social, economic, environmental and cultural well-being of the community; and that Financial Contributions be taken under the Resource Management Act provisions for reserves and environmental effects.

This agenda item brings the draft policy with the appropriate schedules to Council for consideration for consultation in the Annual Plan 2004/2005.

RECOMMENDATIONS

1. That the Draft Development and Financial Contributions Policy and Schedules report be received.
2. That the Draft Development and Financial Contributions Policy with Schedules be adopted for consultation in the Draft Annual Plan 2004/2005.
3. That the Mayor and Chairs of City Development and Finance and Operational Performance Committees be delegated authority to approve the final copy of the Draft Development and Financial Contributions Policy and Schedules prior to release for consultation in the Draft Annual Plan 2004/2005.

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