



Changes Incorporated within the

Palmerston North City Council 2024 Development Contributions Policy

Draft

Introduction

We review the Development Contributions Policy (the Policy) every three years. This is to ensure that the policy aligns with funding decisions made by the Council when it reviews its Long-Term Plan. A copy of the draft 2024 Development Contributions Policy is available online at www.pncc.govt.nz/developmentcontributions. Public consultation on the draft **Development Contributions Policy will be open from Monday 8 April to Thursday 9 May. You can make a submission online at www.pncc.govt.nz or by post to Palmerston North City Council, Private Bag 11032, Palmerston North 4442.**

This proposal seeks to amend the Palmerston North City Council Development Contributions Policy (the Policy) to:

- *LGA Alignment*: Amendments to align with Section 102(3A) Local Government Act requirements that development contribution policies must support principles set out in the Preamble to the Te Ture Whenua Maori Act 1993;
- *Rebalancing Distribution of Growth Infrastructure Cost*: between residential and non-residential development;
- *Cost of Capital*: a proposal to include the cost of capital (interest) within the Policy;
- *Non-Residential Development without a Service Connection*: a proposal to not charge a development contribution fee for water and/or wastewater where a non-residential development does not have a service connection to the integrated network;
- *New Areas*: the introduction of new development contribution areas for Matangi and the proposed Roxburgh Crescent residential areas;
- Update projected household growth data;
- Update Appendix maps A, C, D, E, H, I, J and K; and
- *Fees Schedule*: updating the Policy fee schedules.

This document outlines the amendments to the Policy that Council is proposing, the reasons for those amendments, and an analysis of the reasonably practicable options for funding growth infrastructure.

The Proposal

The key amendments to the Policy are shown as track changes in the draft amended Policy in this proposal, and are detailed below:

Note: the proposed new text as underlined **red** and text proposed for deletion is shown as ~~strikethrough~~.

Amendments to align with Section 102(3A) Local Government Act requirements that development contribution policies must support principles set out in the Preamble to the Te Ture Whenua Maori Act 1993

Add to clause 1.1 as follows:

[1] Introduction

[1.1] Legislative Requirements and Powers

- .4 Palmerston North City Council has a legislative obligation under the Te Ture Whenua Māori Act 1993 to promote the retention of Māori land in the hands of its owners, their whanau and their hapu and to facilitate the occupation, development and utilisation of that land for the benefit of its owners, their whanau and hapu.
- .5 Council achieves these outcomes by; (i) operating a transparent, equitable and reliable development contributions scheme; and (ii) funding, procuring and delivering infrastructure to the boundary of Māori Land to enable development.

Amendments to Align the Policy with Council's Goals

Amend clause 2.2 (.1-.4) as follows:

[2.2] City Goals:

- .1 An innovative and growing city where everyone shares in the benefits of a resilient, sustainable and prosperous economy. We want a productive economy that attracts new businesses and where existing businesses thrive. ~~that is clever about the ways it uses its natural advantages to encourage and support innovation, entrepreneurship and new industries, and positions itself to take advantage of change to fuel sustainable growth, prosperity and wellbeing.~~
- .2 A creative and exciting city that inspires creativity and celebrates our diverse cultures and unique heritage. We want our diverse communities to see their contributions to arts and culture being built into our city infrastructure. ~~draws inspiration from the diversity within its culture and creates a vibrant urban environment that attracts creative and clever people, and nurtures creative talent.~~
- .3 A connected and safe community where everyone feels connected and included. A safe city where people have access to the housing they need and opportunities to connect with others. ~~a city that includes, supports, connects and uses the talents and advantages of the whole community in the pursuit of prosperity and wellbeing. A city that has an international reputation as a safe city in which to live, study, work and play. A city that embraces its iwi heritage and partnership, and where people connect with the city's past, celebrating its history and heritage.~~
- .4 An ~~eco-city~~ sustainable and resilient city with a healthy natural environment and resilient urban system that sustains everyone, now and in the future. ~~we want a future focused city that plans for and cares about the future, enhancing its natural and built environment. Our city will realise the benefits to society from creating clean energy, lowering carbon emissions, and reducing our ecological footprint.~~

Introduction of the Cost of Capital

New clause 3.10 as follows:

[3.10] Cost of Capital

Development contributions fully include the cost of capital (debt servicing costs) for back-works, as it is an integral component of funding growth related infrastructure. The total cost of capital expenditure (on which development contribution fees are based) includes the cost of capital. Cost of capital is the interest paid on loans that are used as an interim funding mechanism when expenditure occurs before the full amount of development contribution revenue is received.

Amendments to Update Growth and Household Projections

Amend clause 4.4 as follows:

[4.4] Projecting Growth

- .1 To estimate the number of residential and rural developments Council expects over a 20-year period, this policy has used, and has maintained consistency with, Council's urban growth planning and asset management planning data. Projected growth for residential and rural development is a medium growth scenario based on a specific Palmerston North projection, which also accommodates the additional margins required by the National Policy Statement for Urban Development. Based on this the rate of accumulating population growth is projected to be 1.0% ~~1.3%~~ over a 20-year period. ~~Over the next 20-year period, t~~ The rate of accumulating household growth is projected to increase by 1.1% ~~1.4%~~ per annum for the first 10 years with growth averaging 1.0% and 1.4% per annum over the ~~for the following 10~~ 20-year period. This represents 7,314 ~~9,171~~ new households in the City over the 20-year period.
- .2 Council has used past trends in non-residential land uptake to estimate the area of non-residential development Council expects each year. This represents approximately 6.8.08 ~~6.8.08~~ ha of non-residential development in the City. This estimate recognises that a number of non-residential developments within the City will be classified as non-residential brownfield redevelopment.

Amendments to Align with Policy with Future Development Strategy Description of Growth

Amend clause 4.6 as follows:

[4.6] Growth in the District

In the short term, continued greenfield residential development will take place in the following areas:

- ~~Kelvin Grove (including The Whakarongo Residential Area~~
- Napier Road
- Mātangi
- Kikiwhenua
- ~~Aokautere/Summerhill area~~

~~units respectively in the short to medium term. Within the Kelvin Grove area the Whakarongo Residential Area became operative in the District Plan in 2014. It is envisaged that the~~

~~Whakarongo Residential Area will provide additional greenfield land supply to the market in the short to medium term. Kikiwhenua Residential Area became operative in the District Plan in 2021. This is the first stage of the wider Kākātangiata Growth Area (formerly referred to as City West), which is intended to provide~~

In the medium to long term, growth for greenfield housing will take place in the following areas:

- Whakarongo
- Napier Road
- Mātangi
- Kikiwhenua
- Ashhurst
- Kākātangiata
- Aokautere

~~during the course of the 20-year period covered by the Policy other greenfield residential areas will be required to meet the projected growth, as directed by the Innovative and Growing City Strategy. Further residential development within existing developed residential areas and brownfields development is expected in:~~

- The Hokowhitu Residential Area,
- Roxburgh Crescent
- Ongoing subdivision and increased density via District Plan pathways.

~~are also assumed within the district.~~ Further rural development, rural-residential development, in the district is assumed to continue at current trends.

Amendments to Section 6: Description of Approach to Charging for Community Facilities

Amend clauses 6.1.2, 6.2, 6.2.3, 6.4.1, 6.4.2, 6.4.3, 6.5.4, 6.5.7, 6.6.2, and 6.6.3, as follows:

[6] Community Facilities: Network Infrastructure, Reserves and Community Infrastructure

[6.1] Water ...

[6.1.2] Who Gets Charged?

Under the above outlined method, all new developments in the service catchments will be subject to a development contribution within identified development contribution areas. The only exclusions (at present) are:

- a) Developments in the rural area that are not connected to the City water systems (Development Contributions Area A); and/or
- b) Developments in Longburn and Bunnythorpe that have a separate water network on which no future growth works are planned (at present) (Development Contribution Areas Q and R)
- c) Any non-residential development without a service connection to the water network.

[6.2] Wastewater

- .1 The wastewater reticulation network is made up of three discrete service catchments. The first service catchment is made up of the Palmerston North, Ashhurst and Bunnythorpe urban areas. The second service catchment is Longburn. The third service catchment are pressure sewer areas, which are intended to service Kakatangiata, North East Industrial Zone Extension Area, [Matangi Residential Area](#) and the Napier Road Residential Extension Area.

[6.2.3] Who Gets Charged?

Under the above outlined method, all new developments in the Palmerston North, Ashhurst and Bunnythorpe service catchments will be subject to a development contribution within identified development contribution areas. The only exclusions (at present) are:

- a) developments in the rural area that are not connected to the City wastewater systems (Development Contributions Area A); or
- b) developments in Longburn that have a separate wastewater network on which no future growth works are planned (at present) (Development Contributions Area R); or
- c) Any non-residential development without a service connection to the wastewater network.

[6.4] Stormwater

[6.4.1] Development Contributions Approach

- .3 Current and planned future stormwater infrastructure provided in the ~~the~~ fourteen service catchments is anticipated to cater for the entire catchment when it is fully developed. Thus, in partially developed service catchments, infrastructure provision identified will specifically cater for growth in that service catchment.

[6.4.2] Who Gets Charged?

Under the above outlined method, all new developments in development contribution areas [D](#), [E](#), [F](#), [G](#), [H](#), [I](#), [J](#), [K](#), [L](#), [M](#), ~~[N](#)~~, [O](#), [P](#), [S](#) and [I](#) will be subject to a development contribution. New developments in other catchments will not be required to pay any development contributions for stormwater.

[6.4.3] Justification for Approach

- .1 Demand investigations,
- .2 Only Aokautere, Kelvin Grove (including the Whakarongo [and Napier Road Residential Areas](#)), [the Midhurst Street Industrial Area](#) and the North East Industrial Zone Extension Area stormwater service catchments will be subject to development contributions for stormwater, as other identified stormwater catchments have level of service deficiencies that require remedy before it is appropriate to further develop infrastructure for growth, and thus apply a development contribution in these catchments. As a result of the findings of these demand investigations Council will apply development contributions to partially developed service catchments only. Identified partially developed catchments are illustrated on Map 5, 6 and 7 in Appendices F, G and H.

[6.5] Reserves and Community Infrastructure

[6.5.4] Who Gets Charged?

- .1 All residential and rural developments ...
- .2 All residential development within the Kelvin Grove (including the Whakarongo [and Napier Road Residential Areas](#)), [Matangi and Kikiwhenua Residential Areas](#) and Aokautere/Summerhill development contributions areas will pay a development contribution for 'local' reserves and community infrastructure.

[6.5.7] Unit of Demand

- .5 For **local reserves and community infrastructure**, all residential development is assumed to create one unit of demand (Aokautere / Summerhill, [Matangi, Kikiwhenua](#) and Kelvin Grove areas only). All rural development is assumed to create zero units of demand.

[6.6.2] Measuring Units of Demand

.4 Water and Wastewater

Residential: The measure ...

Rural: Not applicable.

Non-Residential: The measure of a non-residential unit of demand for water and wastewater is per 100m² of allotment area at subdivision or per 100m² of GFA [with service connection](#) at building consent or service connection.

[6.6.3] Applying Units of Demand

Table 4 – Units of Demand for Community Facilities

COMMUNITY FACILITIES	UNIT OF DEMAND		MEASURE: SUBDIVISION	MEASURE: BUILDING CONSENT AND SERVICE CONNECCTION
		NON-RESIDENTIAL		
Water		1	Non-Residential: Per 100m ² Allotment Area	Non-Residential: Per 100m ² GFA with service connection
Wastewater		1	Non-Residential: Per 100m ² Allotment Area	Non-Residential: Per 100m ² GFA with service connection

Amended Appendix Maps

Amendments to the following maps to reflect new and re-purposed development contributions areas, updated road network, removal of stormwater catchment area and new reserves in the following appendices:

- Appendix A (Map 1) City Development Contribution Areas
- Appendix C (Map 2) Water Integrated Network
- Appendix D (Map 3) Wastewater Integrated Network
- Appendix E (Map 4) Rooding Infrastructure Network
- Appendix H (Map 7) Stormwater Service Catchments – North East Industrial Zone
- Appendix I (Map 8) Reserves and Community Infrastructure
- Appendix J (Map 9) Local Reserves and Community Infrastructure Kelvin Grove
- Appendix K (Map 10) Local Reserves and Community Infrastructure Summerhill/Aokautere

Reasons for Amended Provisions and Fees within the Draft 2024 Policy

Reasons for amending the Development Contributions Policy are as follows:

1. **Key Changes to the Policy Fees Schedule** – include an increase in fees for water and stormwater for residential subdivision and a smaller increase for transport for residential, non-residential and rural subdivision. The key reasons why the water has increased include:

Water

- 4 new water bores are planned to be developed over the next 20-years to meet growth needs.
- New water standards and increasing costs of construction have increased the cost of existing and new growth programmes.
- The cost of a number of existing growth programmes were not budgeted in a way that reflected the likely cost of infrastructure delivery.
- While the development contribution fee for water is increasing, the proportion of the total cost of growth infrastructure for water being paid by non-residential development is decreasing. This outcome is related to the review of the methodology used to apportion the cost of growth infrastructure across residential and non-residential development.

Wastewater

- The total cost of growth infrastructure for wastewater is reducing significantly for residential and non-residential subdivision because the WWTP (Programme 628) is proposed to be removed from the 2024 Policy.
- The proportion of the total cost of growth infrastructure for wastewater being paid by non-residential development is decreasing. Again, this outcome is related to the review of the methodology used to apportion the cost of growth infrastructure across residential and non-residential development.

Transport

A 20% increase in transport fees is proposed across residential, non-residential and rural subdivision and development. This increase is primarily driven by growth programmes targeted at supporting growth at Te Utanganui (North East Industrial Zone), stage 1 of Kakatangiata (Kikiwhenua) and the extension of the Aokautere residential area.

These supporting programmes include:

- Programme 2058 North East Industrial Zone New Roads (increase from 11.4m to \$21.3m): this programme includes the upgrade of Roberts Line to industrial design standard, safety work associated with the Richardsons Line and Milson Line intersection and improvements to Roberts Line and Railway Road intersection.
- Programme 2013 PNITI Strategic Transport Corridor Improvements (increase from \$88m to \$148m): involves land purchase, initiation of design, consent application and construction for major transport investment arising from the Palmerston North Integrated Transport Initiative (PNITI) associated with the strategic ring road for Palmerston North. This includes upgrading various intersections and bridges along with new bridges as required to enable PNITI to be achieved.
- New Programme 2059 PNITI / Bunnythorpe Bridge Replacements (\$15m): Council has already undertaken a full concept design for this project. Detailed design /and resource consenting are the next steps for this programme. Pending detailed design there may be a requirement for land purchase so that the need to raise the road height to satisfy Horizons Regional Council's consenting requirements for 200yr flood protection.
- New Programme 1681 Kikiwhenua (\$21.7m): this programme includes:
 - Land purchase of Te Wanaka Road to facilitate additional road reserve to meet a connector road standard
 - Intersection development of Te Wanaka and Pioneer Highway
 - Land purchase for new collector route from Te Wanaka to Grand Oaks
 - New bridge to facilitate access across the Mangaone stream for the connection of Te Wanaka and Grand Oaks.
- New Programme 2089 Aokautere Transport Improvements (\$24m): to support the development of land proposed to be rezoned to residential use by Plan Change G: Aokautere.

Stormwater

The total growth component of stormwater programmes over 20-years under the 2024 Policy is estimated to be \$34m compared to \$15m in the 2021 Policy. These increases predominately relate to greenfield areas at Whakarongo, Napier Road Residential Extension, Longburn and the North East Industrial Zone Extension Area. The main drivers sitting behind the increase in stormwater fees relate to:

- The need to provide supporting infrastructure to greenfield growth areas
- The increasing cost and extent of land needed for stormwater attenuation
- Increasing obligations relating to water quality outcomes required by the central government and Horizons Regional Council One Plan
- Increasing cost of construction

Summary of Change in Proposed Fees for Subdivision:

(All fees exclusive of GST, 2021 Policy fees include 2023 Producer's Price Index annual adjustment, per allotment at subdivision)

Subdivision	2021 Policy	2024 Policy	Dollar Difference	Percentage Difference
Residential Infill (Per lot, Area B)				
Transport	\$4,328	\$5,187	\$ 856	20%
Water	\$1,761	\$3,579	\$1,818	103%
Wastewater	\$4,657	\$2,401	-\$2,256	-48%
Citywide Reserves	\$ 737	\$ 633	-\$ 104	-14%
Total	\$11,483	\$11,800	\$314	3%
Residential Greenfield (Per 700m ² lot, Area M: Whakarongo)				
Transport	\$ 4,328	\$ 5,187	\$ 856	20%
Water	\$ 1,761	\$ 3,579	\$ 1,818	103%
Wastewater	\$ 4,657	\$ 2,401	-\$ 2,256	-48%
Citywide Reserves	\$ 737	\$ 633	-\$ 104	-14%
Stormwater	\$15,217	\$26,364	\$11,147	73%
Local Reserves	\$ 6,712	\$ 7,085	\$ 373	6%
	\$33,412	\$45,249	\$11,834	35%
Non-Residential (Per hectare, Area B)				
Transport	\$138,500	\$166,000	\$ 27,500	20%
Water	\$ 31,300	\$ 20,900	-\$ 10,400	-33%
Wastewater	\$196,500	\$ 20,400	-\$176,000	-90%
Total	\$366,300	\$207,300	-\$158,900	-43%
Rural (Per lot, Area A)				
Transport	\$4,328	\$5,187	\$856	20%
Citywide Reserves	\$ 737	\$ 633	-\$104	-14%
Total	\$5,065	\$5,820	\$752	15%

2. **Support for Māori land development** – Changes to the Local Government Act (LGA) now require development contributions policies to support the principles set out in the Preamble to the Te Ture Whenua Māori Act 1993. This outcome is achieved by:
 - (i) operating a transparent, equitable and reliable development contributions scheme;
 - (ii) funding, procuring and delivering infrastructure to the boundary of Māori Land to enable development; and
 - (iii) a development contribution can include money or land but excludes Māori Land within the meaning of the Te Ture Māori Act 1993.
3. **City Goals** – Amendment to the description of outcomes being sought by City Goals to align with changes expressed in the 2024-34 LTP.
4. **Cost of Capital:** a proposal to introduce the cost of capital (debt servicing costs) within the Policy. The cost of capital is the interest paid on loans that are used as an interim funding mechanism when expenditure occurs before the full amount of development contribution revenue is received.

The Council have taken a conservative approach and applied the cost of capital to back-works only. Back-works are growth infrastructure works already financed and delivered by Council. The total cost of capital over the 20-year Policy period for back-works is projected to be \$21.5m.

The purpose of introducing the cost of capital into the Policy methodology is to enable Council to recover from those persons undertaking development a fair, equitable and proportionate portion if the total cost of capital expenditure necessary to service growth over the long-term.

Section 197AA of the LGA02 notes the purpose of the development contribution provisions in the Act is to enable territorial authorities to recover from those persons undertaking development a fair, equitable, and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term.

The legislation requires the total cost of the capital expenditure, including the cost of capital (debt servicing costs) the Council expects to incur to meet increased demand resulting from growth to be included in development contribution calculations

5. **Rebalancing the distribution of growth infrastructure cost for water and wastewater across residential and non-residential activity:** Council have undertaken a review of the methodology used to apportion the cost of growth infrastructure across residential and non-residential activity.

The key purpose of the Development Contribution Policy is to ensure that growth, and the cost of infrastructure to meet that growth, is funded by those who cause the need for that infrastructure.

For water supply and wastewater activities, the demand impact on infrastructure is generally different between residential and non-residential development. To equitably allocate the infrastructure cost required to cater for growth, a demand growth cost ratio is applied to assess the impact of typical residential versus non-residential development on a similar per hectare area basis.

The Key Changes to the Inputs for the Demand Cost Ratio Calculations – that apportion the cost of growth infrastructure across residential and non-residential and non-residential activity include:

Residential development was previously based on greenfield subdivision which typically produced 10 lots or household units per 1 hectare of land. However, future projections of residential development support an ongoing trend towards on average smaller size lots and increased density with the development of brownfield sites, infill subdivision and District Plan enabled medium density development. The outcome being an increase in the demand on water and wastewater services per hectare of development compared to previous Policy inputs.

Non-Residential: in previous Policies, demand on water and wastewater services from non-residential developments was based on a mixture of industries and businesses having an overall average daily water demand of 25m³ per hectare. A 50% increase was also allowed to cater for seasonal peak loading in the daily volume required or to be discharged.

For the 2024 Policy, the projection (based on Council’s Housing and Business Needs Assessment) is for non-residential developments that will be largely of types with low water use and wastewater discharge. This is supported by trend and water consumption data of the recent development in the North East Industrial Zone. For these reasons, the average daily water demand for non-residential development has been reduced to 10m³ per hectare with a 25% lower increase to cater for seasonal peak loading in the daily volume required. Wastewater discharge, which is closely linked to water use, is therefore similarly reduced. The Policy provides Council with discretion to enter specific arrangements outside the Policy with a developer for the provision of infrastructure to meet the special needs of a development. For example:¹

- Where the potential effect the development may have on the capacity of network infrastructure is likely to be greater than that taken into account when developing a methodology for the Policy.
- Where the development is likely to require the provision of particular infrastructure to meet the special needs of a development, for example where a development requires a special level of service or is of a type or scale which is not readily assessed in terms of units of demand.

¹ Palmerston North City Council 2021 Development Contributions Policy, cl 5.5(.2).

6. **Support for Māori land development:** – changes to the Local Government Act (LGA) now require development contributions policies to support the principles set out in the Preamble to the Te Ture Whenua Māori Act 1993 (the Act). Under the Act Council has an obligation to promote the retention of Māori land in the hands of its owners, their whanau and their hapu and to facilitate the occupation, development and utilisation of that land for the benefits of its owners, their whanau and hapu.

It is proposed the Policy acknowledges this as a legislative requirement and notes the Council seeks to achieve these outcomes by:

- (i) Operating a transparent, equitable and reliable development contributions scheme;
- (ii) Funding, procuring and delivering infrastructure to the boundary of Māori land; and
- (iii) Taking money or land for a development contribution, excluding Māori land within the meaning of Te Ture Whenua Māori Act 1993, unless the Act provides otherwise.

7. **Non-Residential Development without a Service Connection:** it is proposed not to charge a development contribution fee for water and or wastewater where a non-residential development does not have a service connection to the integrated network at building consent or service connection stage.

In situations where a development, such as storage units, do not have a service connection to the integrated network (water and or wastewater) there is no additional demand being placed on network infrastructure. In this regard, there is no casual nexus or connection between the development and the need for growth infrastructure funded by the Policy.

8. **Matangi Residential Area:** a new development contribution area (N) has been created for the Matangi Residential Area for the purposes of collecting local reserves development contributions.
9. **Roxburgh Crescent Residential Area:** a new development contribution area (V) has been created for the proposed Roxburgh Crescent Residential Area for the purposes of collecting development contribution fees for stormwater.
10. **Projecting Household Growth:** the purpose of updating the projected household growth data is to align the Policy with assumptions informing the LTP.
11. **Growth Description:** the purpose of updating the description of growth clause 4.6 of the Policy is to ensure alignment with the proposed Future Development Strategy.

Analysis of Options

The broad purpose of the proposed amendments to the Policy is to:

- Align with amendments to the LGA02;
- Better enable a fair and equitable distribution and recovery of the total capital cost of growth expenditure;
- Improve administrative efficiency and clarity;
- Create new development contribution areas for locations serviced or planned to be serviced by Council infrastructure; and
- Align the Policy's growth projections and description of growth with the Long-Term Plan and the proposed Future Development Strategy.

The three options that Council has considered in its analysis is as follow on:

Option 1: Preferred Option

To adopt the proposed amendments to the Policy and continue to use development contributions as a mechanism to pay for the growth-related costs of infrastructure provision.

This option allows the current mechanism for funding the growth costs of infrastructure provision to further imbed. The Policy has been in place since 2004. Planning, funding and provision of infrastructure to support growth has a long-term focus. In this regard, the Policy remains in its infancy and requires further time to realise the outcomes being sought by the funding instrument.

The Council has a Development Contributions Policy as one of its Funding and Financial Policies in its LTP under the LGA02. This gives councils the power to require a contribution from subdivision and development. Development Contributions provide the means to fund infrastructure capacity improvements required due to growth. Without Development Contributions there would be a significant burden on ratepayers.

Every new development that connects into Council's infrastructure services places a demand on those services. Infrastructure services include roading, water, wastewater, stormwater, parks and reserves. Development Contributions make sure that the cost of providing the infrastructure to support growth is paid by those who create the need for the additional infrastructure. Council meets the cost of maintaining existing levels of service to ratepayers, while the cost of additional services is funded by those creating the demand.

From an asset management perspective, rarely is an infrastructure network created for a single development in isolation from other development. The approach of the Policy is to ensure that the cumulative consumption of infrastructure capacity by each development is considered from a system wide perspective. The effect of a development in terms of impact on network infrastructure includes the cumulative effect that a development may have in combination with other development. The Policy enables the Council to require a development contribution that is used to pay, in full or in part, for capital infrastructure:

- Expected to be incurred because of growth; or
- Already incurred by the Council in anticipation of growth.

The Policy provides a clear link between individual development and the cumulative costs associated with funding infrastructure to meet growth. This ensures that ratepayers are not left carrying the additional financial burden associated with providing infrastructural capacity to meet the demand of growth.

Development contributions are essentially the repayment of money advanced by ratepayers to fund new infrastructure to support growth. This approach is considered an equitable and efficient way to fund and provide for growth infrastructure.

However, achieving the outcomes being sought by the Policy relies on:

- Good quality information feeding into the development of the Council's Asset Management Plans;
- Accurate forecasting of population and household formation rates;
- Consistent and robust implementation of the Policy;

- Not investing heavily in growth infrastructure too far in advance of development occurring. If development does not occur, the sunk costs of infrastructure provision are borne by the ratepayer until development occurs; and
- The Council giving effect to its strategic land use direction by rezoning land for residential and industrial growth.

The development contributions funding mechanism works well when it sits within a settled and consistent approach to strategic land use planning for urban growth. The funding mechanism enables councils to plan for growth and ensure infrastructure is planned and funded in a coherent manner to support development when it occurs.

The Council has been proactive in strategically planning for growth and has aligned its proposed Future Development Strategy with its Asset Management Plans (AMPs) and financial planning obligations under the LGA02 and the LTP. The Council has sent a clear message to the market regarding the future direction of growth in the district. This approach ensures infrastructure will be funded and rolled-out to support growth when it is needed.

Intergenerational Equity – Under section 101(3) of the LGA, the funding needs of the Council must be met from those sources that the local authority determines to be appropriate, following the consideration of (amongst others):

- The distribution of benefits between the community as a whole, any identifiable part of the community, and individuals (section 101(3)[ii]).
- The period in or over which those benefits are expected to occur (section 101(3)[iv]).
- The extent to which the action or inaction of particular individuals or a group contribute to the need to undertake the activity (section 101(3)[iii]).

The provision of infrastructure, in particular infrastructure that is provided to cater for growth, will generally be put in place in anticipation of growth. Works already carried out by the Council benefit new developments and developments in the future. The methodology underpinning development contributions ensures the cost of infrastructure provision and its benefits are equitably distributed over time. This is considered consistent with the principle of intergenerational equity.

Option 2:

To use financial contributions under the Resource Management Act 1991 (RMA) as the mechanism to pay for the growth-related costs of infrastructure provision.

Financial contributions can be required as a condition on a resource consent under section 108(2)(a) of the RMA. In general, financial contributions tend to focus on the direct marginal impact of the effects of particular developments without considering the wider cumulative impact of multiple developments on infrastructure and community facilities of a district. The limiting characteristic of financial contributions is the consideration of effects on a micro environmental nexus basis for a particular development rather than the wider cumulative effect of the development in conjunction with all other development on the need for growth infrastructure across time and space. This is the main reason for allowing local authorities to take development contributions under the LGA02. Development contributions also allow for better integration with the financial management provisions that the Council must comply with.

Financial contributions attached to resource consents are required to avoid, remedy or mitigate any potential adverse environmental effect(s) generated by the activity. At the site and activity specific level financial contributions levied through resource consents are not a responsive instrument for collecting the cost of growth in an integrated manner for the whole of the city over time and space.

Development contributions provide local authorities the scope to more effectively address the funding and provision of infrastructure across the whole city than financial contributions. Development contributions also allow district plans to focus their core function of managing the effects of subdivision and development on the environment.

Option 3:

To fund the growth-related costs of infrastructure provision through rates.

Prior to the Development Contributions Policy, the cost of financing infrastructure to meet the demands of growth was met by ratepayers. Council would need to make an explicit change to its approach to funding growth infrastructure if it were to require ratepayers to subsidise the cost of growth. The overriding issue associated with this approach is one of equity. It is not considered an equitable approach for ratepayers to subsidise growth when they are not creating the need for additional infrastructure to support growth. In this regard, the development contribution methodology is considered more equitable in that growth pays for growth.

Consultation Process

Enquires about the draft 2024 Development Contributions Policy can be made to Jonathan Ferguson-Pye, City Planning Manager on phone (06) 356 8199 or email jonathan.ferguson-pye@pncc.govt.nz

Submissions on the Policy open on **Monday 8 April and close on Thursday 9 May 2024** and can be made by one of the following means:

email	Post	deliver
submission@pncc.govt.nz	Development Contributions Policy Submissions Palmerston North City Council, Private Bag 11032, Palmerston North 4442.	Customer Services Centre Civic Administration Building The Square Palmerston North