



Statement of Proposal

Development Contributions Policy 2021-31

Consultation 16 March – 19 April 2021

Version: For consultation

Background

As new development occurs throughout the Matamata-Piako District it places demands on the Council to provide a range of new and upgraded infrastructure. It is important to ensure that the potentially high costs of providing new assets for development are adequately and sustainably accounted for.

Councils are required by law to provide details about how they will fund capital expenditure – the costs of providing new assets or increasing their capacity. As the cost of growth is driven by development, we consider that it is equitable that a development should meet its share of the resulting costs. Development Contributions are the funds received from people or organisations when they develop property. They are used to fund capital works that are driven by the need to provide services to our growing communities.

We adopted our first Development Contributions Policy in 2004, and last revised it in 2018. We are now required under legislation to review our existing policy once more and to consult with the communities on any changes we have proposed.

This statement of proposal includes a summary of the proposed changes, the draft Development Contributions Policy 2021 (Policy), the reasons for it, reasonably practicable policy options and information about how you can have your say. Consultation is being undertaken with the public so we can assess public support for the Policy and can consider alterations to the Policy as a result of the public submissions we receive.

Consultation on the Policy is being undertaken in conjunction with the consultation on the Long Term Plan 2021-31 (LTP).

We invite feedback from anyone who has an interest in these issues before final decisions are made on what will and will not be included in the Policy.

Reasons for the proposal

- Section 102(2)(d) of the LGA requires that we must have a Policy. The purpose of the Policy is to enable Council 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.
- Section 201 of the LGA sets out the required contents of the Policy.

Issues

Growth

Matamata-Piako is projected to grow by around 2,224 residents between 2021 and 2031, with 1,106 extra dwellings. This growth will create the need for water, wastewater, roads, stormwater, parks, reserves and community facilities beyond what normal levels of service and maintenance provides for. We are proposing to charge Development Contributions for roads, water, wastewater, and stormwater.

Development Contributions help fund growth

Our current Development Contributions Policy came into force on 1 July 2018. It affects most people and companies developing new residential, commercial or industrial land and buildings. Like the 2018 Development Contributions Policy, the Policy ensures that those who create the need for this infrastructure and directly benefit from our provision of infrastructure capacity, are those who pay for it. Development Contributions are paid on any subdivision and non-residential development that generates additional demand on infrastructure services as calculated under the Policy. This includes extensions to existing commercial buildings which create additional floor space, as well as new developments, subdivisions, and houses.

Types of activities that may be funded

We may charge development contributions to help fund:

- network infrastructure - the provision of roads and other transport, water, wastewater, and stormwater collection and management;
- community infrastructure - the provision of the following assets if we own and operate them:
 - community centres or halls for the use of a local community or neighbourhood, and the land on which they are or will be situated;
 - play equipment that is located on a neighbourhood reserve;
 - toilets for use by the public.
- reserves.

We propose to only fund the provision of network infrastructure (transport, water, wastewater and stormwater) under the Policy.

Capacity life used to calculate Development Contributions charges

Our 30 years Population Growth Projections ([full report available here](#)) have been used to inform the capital works programme. When planning new 3 waters infrastructure for growth, these projects have been designed to accommodate 30 years growth (or more) in the relevant area. Therefore, the capacity life for these projects have been set to 30 years.

External advice from Insight Economics recommends the use of 25-30 years capacity life for the purpose of development contributions policies.

When Development Contributions can be charged

There are four stages where a Development Contribution will be paid:

- when a subdivision or land use consent is approved under the Resource Management Act 1991;
- where a certificate of acceptance is issued under the Building Act 2004;
- when a Code of Compliance Certificate is issued for a building consent under the Building Act 2004; and
- when authorisation is given for a network connection to a service such as water or wastewater.

Main changes to the Policy

Schedule of Development Contributions and Projects

The schedule of Development Contributions is included in Schedule 1 of the Policy. These calculations are based on the forecast growth and funding required for projects funded from growth. We are required to include information on the projects that are funded from Development Contributions.

Conversion rates for development categories

In reviewing the Policy, we engaged an independent expert to review our conversion rates for the various development categories. The review consisted of benchmarking our current conversion rates with that of 14 other councils of similar size and/or growth profile. The new conversion rates are set out in Table 7 of the Policy.

Development Categories

We have provided three new development categories in the Policy, described in Section 5 of the Policy;

- Tiny homes/minor dwellings (GFA no more than 70m²)
- Kaumātua housing units
- Papakāinga

The full list of development categories are set out in Table 7 of the Policy.

Analysis of reasonably practicable options

Council could:

- Retain the current policy of funding growth from Development Contributions
- Remove Development Contributions altogether
- Reduce reliance on Development Contributions over a period of time
- Cap Development Contributions at a certain level
- Partially fund of Development Contributions from other sources

Any change to the proposal in our Policy for funding growth for the activities we have identified through Development Contributions, would also need to take in to consideration where the shortfall in funding would be sourced from and our rationale for doing so as part of our Revenue and Financing Policy.

Option 1 – Developers should pay for growth

We currently charge Development Contributions to people who are developing property (subdivisions, residential and non-residential developments that trigger the criteria in the Policy). These payments ensure that developers share the costs of additional infrastructure that is caused by their developments (e.g. additional/upgraded roads, increased capacity for water and wastewater etc), rather than funded by ratepayers. Under our Policy, the bigger the development is (based on floor area or Household Equivalent Units), the more the developer has to pay.

Charging developers for the cost of the growth they create reflects the fact that they will benefit directly from the development.

Advantages	Disadvantages
Growth is funded by those (developers) who are creating the additional demand.	Because growth is difficult to predict, the costs we charge developers may not accurately reflect the impact their individual development has on our services.
Ratepayers do not have to pay for growth and this helps keep rates at an affordable level.	Charging developers could present a barrier to development.

Option 2 – Ratepayers pay for growth

Ratepayers may benefit indirectly from growth through increasing employment opportunities and extra money being brought into our community. One way we could reduce barriers to growth would be to stop collecting Development Contributions or reduce our reliance on them over time; this would remove an additional cost to developing in our district.

Advantages	Disadvantages
The reduced cost of development may encourage more growth in the district	Rates will increase to cover the costs of growth. Some may view this as unfair.
If reduced development costs are passed on, new sections and housing may become more affordable.	Extra costs caused by growth are not met by those (developers) who create the additional demand.
	There are no guarantees that this approach will increase growth.
	On going rate increases to pay for growth could become unsustainable and difficult to plan for if growth increases.

Option 3 – Council modifies the Policy so that Developers and ratepayers share the cost of growth

Alternatively, developers and ratepayers could share the cost of growth.

Advantages	Disadvantages
The reduced cost of development may encourage more growth in the district.	Extra costs caused by growth are not met by those (developers) who create the additional demand.
If reduced development costs are passed on, new sections and housing may become more affordable.	Rates will increase to contribute to the costs of growth.
	Extra costs caused by growth will not be wholly met by those (developers) who create the additional demand.
	There are no guarantees that this approach will increase growth.
	On going rate increases to pay for growth could become unsustainable and difficult to plan for if growth increases. There are no guarantees that this approach will increase growth.

LGA Statutory and Policy Considerations -

Section 106 Policy on development contributions or financial contributions

- (1) *In this section, financial contributions has the meaning given to it by section 108(9) of the Resource Management Act 1991.*
- (2) *A policy adopted under [section 102(1)] must, in relation to the purposes for which development contributions or financial contributions may be required,—*
 - (a) *summarise and explain the total cost of capital expenditure identified in the long-term plan, or identified under clause 1(2) of Schedule 13 that the local authority expects to incur to meet the increased demand for community facilities resulting from growth; and*
 - (b) *state the proportion of that total cost of capital expenditure that will be funded by—*
 - (i) *development contributions;*
 - (ii) *financial contributions;*
 - (iii) *other sources of funding; and*
 - (c) *explain, in terms of the matters required to be considered under section 101(3), why the local authority has determined to use these funding sources to meet the expected total cost of capital expenditure referred to in paragraph (a); and*
 - (d) *identify separately each activity or group of activities for which a development contribution or a financial contribution will be required and, in relation to each activity or group of activities, specify the total amount of funding to be sought by development contributions or financial contributions; and*
 - (e) *if development contributions will be required, comply with the requirements set out in sections 201 to 202A-201 to 202A; and*
 - (f) *if financial contributions will be required, summarise the provisions that relate to financial contributions in the district plan or regional plan prepared under the Resource Management Act 1991.*
- (2A) *This section does not prevent a local authority from calculating development contributions over the capacity life of assets or groups of assets for which development contributions are required, so long as—*

- (a) *the assets that have a capacity life extending beyond the period covered by the territorial authority's long-term plan are identified in the development contributions policy; and*
 - (b) *development contributions per unit of demand do not exceed the maximum amount allowed by section 203.*
- (2B) *Subject to subsection (2C), a development contribution provided for in a development contributions policy may be increased under the authority of this subsection without consultation, formality, or a review of the development contributions policy.*
- (2C) *A development contribution may be increased under subsection (2B) only if—*
- (a) *the increase does not exceed the result of multiplying together—*
 - (i) *the rate of increase (if any), in the Producers Price Index Outputs for Construction provided by Statistics New Zealand since the development contribution was last set or increased; and*
 - (ii) *the proportion of the total costs of capital expenditure to which the development contribution will be applied that does not relate to interest and other financing costs; and*
 - (b) *before any increase takes effect, the territorial authority makes publicly available information setting out—*
 - (i) *the amount of the newly adjusted development contribution; and*
 - (ii) *how the increase complies with the requirements of paragraph (a).]*
- (3) *If development contributions are required, the local authority must keep available for public inspection the full methodology that demonstrates how the calculations for those contributions were made.*
- (4) *If financial contributions are required, the local authority must keep available for public inspection the provisions of the district plan or regional plan prepared under the Resource Management Act 1991 that relate to financial contributions.*
- (5) *The places within its district or region at which the local authority must keep the information specified in subsections (3) and (4) available for public inspection are—*
- (a) *the principal public office of the local authority; and*
 - (b) *such other places within its district or region as the local authority considers necessary in order to provide members of the public with reasonable access to the methodology, provisions, or plan.*
- (6) *A policy adopted under section 102(1) must be reviewed at least once every 3 years using a consultation process that gives effect to the requirements of section 82.*

Development Contributions Policy – from draft to adoption

The views of the community are vital to our success. Therefore, we would like to invite the community to provide submissions on the draft Development Contributions Policy to assist us in the decision making process.

The submission process

Process	Date
Council approve statement of proposal and Development Contributions Policy for public consultation	9 December 2020
Consult the community (alongside the Long Term Plan 2021-31 and various policies)	16 March – 19 April 2021
Council hearing (volume of submitters will determine if the meeting is required to run for both days)	12/13 May 2021
Adopt Development Contributions Policy	30 June 2021

Where can I find more information?

You can download the draft Development Contributions Policy, Long Term Plan 2021-31 or any of the other documents at www.mpdcc.govt.nz and you can view a copy of these documents at our offices or libraries.

How can I have my say?

We actively encourage the community to contribute to the formation of these important documents and it is easy to have your say. Simply make a submission on any/all draft documents (draft Development Contributions Policy, Long Term Plan 2021-31 or any of the other documents) and return it to us by 19 April 2021.

You can make a submission:

Online - through our website at www.mpdcc.govt.nz

Email - submissions@mpdcc.govt.nz

Fax - 07 884 8865

Written - you can simply write your submission as a letter and either drop it off at one of our offices or post it to:

Submissions
PO Box 266
Te Aroha 3342

Note: Please be aware that submissions made to Council are public information. Your submission will be used and reproduced for purposes such as reports to Councillors, which are made available to the public and media.

If you advise in your submission that you wish to speak to your submission at the hearing on 12 May 2021, Council staff will contact you (please ensure to provide a day time contact) to arrange a time for you to speak at the meeting on 12 May 2021 (volume of submitters determines if the meeting will run 13 May also). If you advise on your submission that assistance is required Council is able to offer assistance with special requirements such as New Zealand sign language and audio visual mechanisms.

Office and library locations

- Te Aroha Council Office: Kenrick Street Te Aroha
- Te Aroha Library: Rewi Street, Te Aroha
- Morrinsville Area Office or Library: Canada Street, Morrinsville
- Matamata Area Office or Library: Tainui Street, Matamata

Any questions?

We are here to help - so if you have any questions about the draft Development Contributions Policy or the submission process please let us know. Just call us on 07 884 0060 and let our friendly Customer Services staff know you have a question about the draft Development Contributions Policy.

You must have your submission back to Council by 19 April 2021