



YOUR GUIDE TO PALMERSTON NORTH CITY COUNCIL'S **2018** DEVELOPMENT CONTRIBUTIONS POLICY

If you are planning a subdivision, an extension to a commercial building or a property development, you may need to pay a Development Contribution to the Palmerston North City Council.

This guide explores why Development Contributions are required, what they fund, when they need to be paid and what you are likely to pay.

Development Contributions are not a tax on development but the repayment of money advanced by Palmerston North ratepayers to fund new infrastructure (water, wastewater, roads, stormwater, parks & reserves).

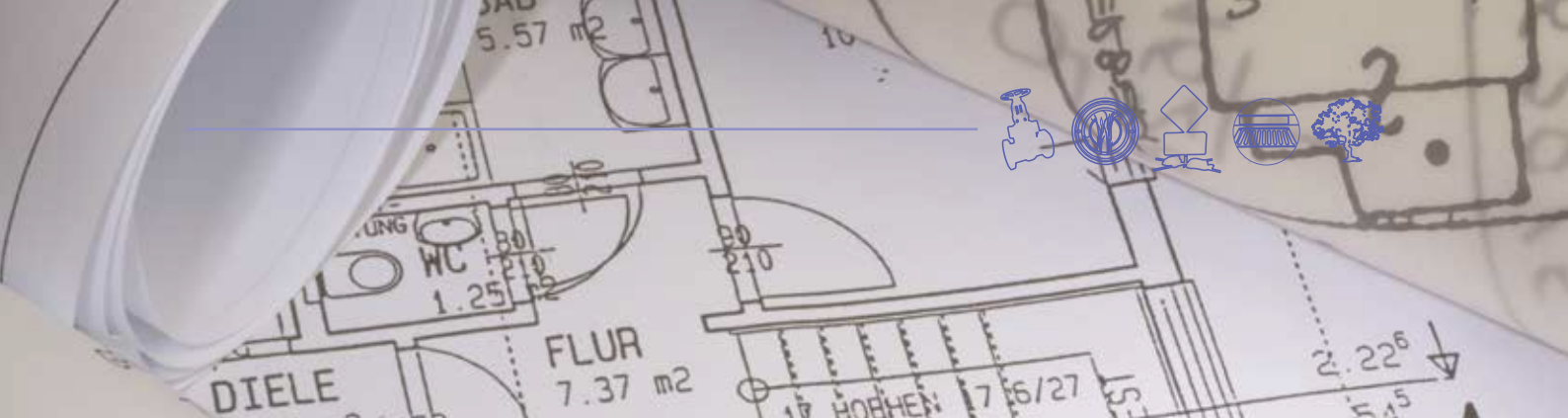
As a ratepayer, your rates fund the existing infrastructure you need – the roads, water and waste water infrastructure, parks and community facilities you and current ratepayers enjoy. Your rates also allow Council to borrow large sums money for new infrastructure required by new homes and new or expanded commercial premises.

Palmerston North enjoys the benefits of being a growth city with 7,560 new homes forecast in the next 20 years. So there is much new infrastructure for Council to provide, often in advance of developments.

Our Development Contributions policy simply ensures the ratepayer is repaid. Development Contributions only fund the growth component – the extra infrastructure, services and amenities that new developments require.

Without Development Contributions, ratepayers would have to fund on average an additional \$5m of infrastructure works each year.

Council funds those costs in the interim but rightfully expects to recover these advances through Development Contributions. It's a policy approach that both assists our city's growth and is fair and equitable to ratepayers.



Introduction

The purpose of this booklet is to provide you with information on the Council's Development Contributions Policy. We hope it provides you with answers to general questions such as why do we have Development Contributions? Who pays? When are they paid? How do you calculate a Development Contribution? Examples have been provided to help you understand how the Development Contributions Policy works and how the policy might apply to your proposed development. This document is a starting point. It provides you with a general understanding of Development Contributions before you plunge into the detail of the policy itself.

We are a growth city

Palmerston North is forecast to grow by more than 7,560 households over the next 20 years and to continue industrial and commercial expansion. 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. The 'growth component' is estimated to cost around \$109m over the period. Development Contributions meet that cost.



Development Contributions help fund that growth

Palmerston North City Council's Development Contributions Policy came into force on 1 July 2004. It affects most people and companies developing new residential, commercial or industrial land and buildings.

Prior to the Development Contributions Policy the cost of financing infrastructure to meet the demands of growth was met by ratepayers. It's unfair to require ratepayers to continue to subsidise the cost of growth. The Development Contributions Policy ensures that those who create the need for this infrastructure and directly benefit from Council providing infrastructure capacity, are those who pay for it.

Fees are paid on any development or subdivision that generates additional demand on infrastructure services as calculated under the Development Contributions Policy. This is likely to include extensions to existing commercial buildings which create additional floor space, as well as new developments, subdivisions, and houses.

IMPORTANT NOTE: This is a guide, providing general information. Further details can be found on the Council's website – go to pncc.govt.nz and enter Development Contributions. Or ring Council at (06) 356 8199 and ask to speak to a Consents Planner.



What are Development Contributions?

Development Contributions are levies paid toward Council-funded infrastructure required as a result of growth in development and new households. The levies are based on the cost of providing these services to new developments and ensure these costs are fairly attributed.

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 created 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.

Who Pays the Development Contribution and when is it payable?

The applicant and eventual consent holder for subdivision or landuse consent, building consent or service connection will be responsible for paying the Development Contributions.

Depending at what stage the Development Contribution applies it will be payable prior to either final approval of subdivision, prior to the issuing of a Code of Compliance Certificate for a building consent or before final service connection.

Why are Development Contributions required?

Council is required to have a Development Contributions Policy as part of its Funding and Financial Policies in its Long-Term Plan under the Local Government Act 2002. This gives councils the power to require a contribution for developments. Development Contributions provide the means to fund improvements in infrastructure capacity required due to growth. Without Development Contributions, there would be a huge burden on ratepayers.

Council encourages you to talk to our Consents Planning Staff early in the development process, i.e. before lodgement of a building or resource consent. This will ensure any Development Contributions are factored into development decisions.

What Council infrastructure requires a Development Contribution to meet the costs of growth?

Council manages most of its infrastructure on a network basis. Development Contributions contribute where the network needs expansion for growth.

- **water**
- **wastewater**
- **roading**
- **stormwater**
- **parks and reserves**
(land, buildings and works on reserves).



Isn't that what we pay rates for?

The key purpose of the Development Contributions Policy is to ensure that growth, and the cost of infrastructure to meet that growth, is funded by those who create the need for that infrastructure and benefit from it. Development Contributions do not fund the cost of maintaining infrastructure or improving levels of existing service. This cost will be met from other sources such as rates.

When is a Development Contribution required?

When a development leads to new or additional investment by Council to increase infrastructure capacity, including reserves and community infrastructure such as, playgrounds and parks.

One of the Council's goals in the Long Term Plan is to be 'an innovative and growing city that encourages and supports new industries' Development Contributions contribute a great deal to that goal.

Is the Development Contribution levy based on infrastructure upgrades occurring in the vicinity of my land?

NO. Rarely is an infrastructure network created for a single development in isolation from other development. The City's integrated network of infrastructure is an open system. All development receives benefits from the whole network. For example, from the source of water supply to the supply point at a development it is important that there is sufficient capacity in the network for everybody. Development Contributions contribute to the cost of increasing capacity across the infrastructure network.

The approach of the Development Contributions Policy is to ensure that the cumulative effect of development is considered from a system-wide, not a site-specific 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.

Are there cases where Development Contributions are NOT paid?

YES. There are several categories.

Council does not require a Development Contribution where a development does not create any additional units of demand for services such as water and wastewater. An example of this might be a new building on non-residential land replacing an existing building of similar size and used for similar purposes.

No Development Contribution is payable if Council has already imposed a condition on a resource consent which serves the same purpose as a Development Contribution would fund.

Also, no Development Contribution is charged where the developer will directly fund or otherwise provide for infrastructure such as a reserve, network infrastructure or community infrastructure.

And where Council receives sufficient funding from a third party to fund, in part or in full, particular infrastructure. This could include, for example, funding from a central government agency such as the New Zealand Transport Agency.

At what stage does a Development Contribution get paid?

There are three stages at which Council may require that a Development Contribution is paid.

- When a subdivision or landuse consent is approved
- When a Code of Compliance Certificate is issued for a building consent
- When authorisation is given for **connection to a service** such as water or wastewater

Development Contributions generally apply at the first stage of development - **subdivision consent**.

Occasionally, demand for services such as water and wastewater are created on land already subdivided. Council will assess and seek the appropriate Development Contribution at the **building consent stage**. If additional demand is created outside the building consent stage, Council will require a Development Contribution when it provides a **connection to a service** such as water or wastewater.



Without Development
Contributions, general
ratepayers would have
to fund around another
\$5m a year for
infrastructure works.



Are all Development Contributions assessed on the same basis?

NO. There are three different types of development in our City - Residential, Rural and Non-Residential (i.e. commercial and industrial) and Development Contributions are assessed differently to reflect the demand that different types of developments have on infrastructure.

RESIDENTIAL DEVELOPMENT

Residential Developments are subject to roading, water, wastewater and city reserves levies as part of a Development Contribution. Stormwater and Local Reserves levies also apply to residential developments in Kelvin Grove and Aokautere.



RURAL DEVELOPMENT

Rural Development will be subject to Roothing and City Reserves levies (dwellings only), except where a rural development connects into other Council infrastructure services i.e. water.



NON-RESIDENTIAL DEVELOPMENT

Non-Residential Development will be subject to roading, water and wastewater levies. Stormwater reserves levies also apply in Kelvin Grove or Aokautere, and the North East Industrial Zone Extension Area.



Special Circumstances

Some development may place demand on Council's infrastructure that is greater than that taken into account when the methodology of the Development Contributions Policy was devised. Examples of special circumstances include drive-thru fast food, wet industries, service stations, wind farms and activities requiring specific roading upgrades. In these cases the Council will enter into specific arrangements with a developer for the provision of particular infrastructure to meet the special needs of a development.

How many areas are there for Development Contributions?

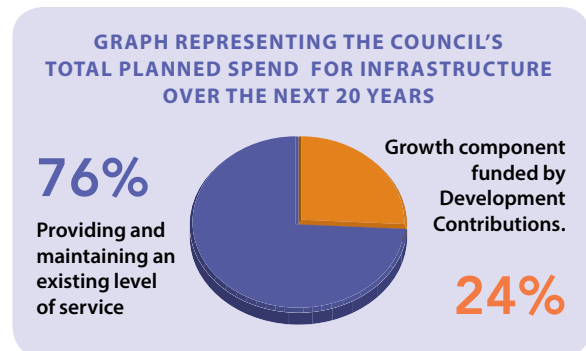
Our City is broken into **19** Development Contribution areas based on activity service catchments. Areas may change, for example from rural to residential or where land outside the city's boundary comes into the city. In these situations, fees are based on the dominant type of development within an area.

What proportion of the Council's infrastructure spend do Development Contributions fund?

Council's total planned spend for infrastructure over the next 20 years is around \$452m. Council expects there to be around a 76/24 split between providing and maintaining an existing level of service – and the growth component funded by Development Contributions.

TOTAL		
PLANNED CAPITAL EXPENDITURE WORK	LEVEL OF SERVICE COMPONENT	ESTIMATED GROWTH COMPONENT
(20 YEARS)		
\$460,692,334	\$351,372,660	\$109,319,674
100%	76%	24%

Without Development Contributions, general ratepayers would have to fund around another \$4m a year for infrastructure works.



Is some infrastructure funded ahead of growth?

YES. Sometimes it makes sense for Council to fund infrastructure ahead of the growth taking place. Around \$24m from Development Contributions are required over the next 20 years to meet the cost of capital expenditure already incurred by Council in anticipation of development. This will help meet increased growth demand for network infrastructure, reserves and community infrastructure during the next two decades.

Council sometimes pays for network infrastructure, reserves and community infrastructure ahead of further development. In other words, ratepayers are paying in advance for growth. When development occurs this advance payment is paid back to the ratepayer through Development Contributions by developers.

How does Council calculate what it pays and what Development Contributions fund?

Council establishes a 'level of service' component for its identified infrastructure works. This covers increased infrastructure due to higher public expectations, environmental or statutory obligations e.g. higher water quality standards. The 'level of service' proportion of identified infrastructure works is not funded by Development Contributions.

How do you calculate the Development Contributions contribution?

The methodology looks at the cumulative effect of development from a system-wide perspective. A 20-year timeframe is used in forecasting growth and applying Development Contributions. Benefits are distributed over that timeframe with averaging to avoid distortions from any particularly large project.

What are Palmerston North's growth forecasts?

- For the next 20 years, a hybrid scenario based on a specific Palmerston North projection for years 1–10, and a stats New Zealand medium growth projection for years 11–20 has been used. Palmerston North City's population is projected to grow by on average 0.8% a year - around 7,560 new households by 2048.

Council estimates suggest approximately 8ha of non-residential development will occur in the City each year over the next two decades.

In the short to medium term, continued greenfield residential development will take place in Kelvin Grove, Whakarongo and Aokautere/Summerhill. In the long term, the Council has identified a potential future urban growth area to the west of the city, and further infill housing development within existing residential areas will continue to occur. Rural development, in particular rural-residential, is forecast to continue at current trends. Non-residential development is expected to continue in the City's business and industrial zones, and the Council has recently rezoned an additional 126ha of North East industrial Zone land.





How do Palmerston North's Development Contributions compare to other provincial cities?

It is difficult to compare across the country as there are many variables including a district's rate of growth, urban development patterns to date and existing infrastructure design/capacity. A high level review against other provincial centres indicates Development Contributions in Palmerston North for residential development are at the lower end of the range, while fees for commercial/ industrial development sit in the middle.

Can Development Contribution fees be reduced or postponed?

As an applicant who has received a Development Contribution assessment from Council, you are entitled to request this be reconsidered by a Council officer to consider a reduction or postponement. Such a request should contain new or supporting information.

An objection decision cannot alter the methodology of the Development Contributions Policy.

An objection to the Council officer's decision must be lodged within 15 working days of the reconsideration decision.

An independent development contributions commissioner will hear your objection.

Can I give land to Council to pay for my Development Contribution?

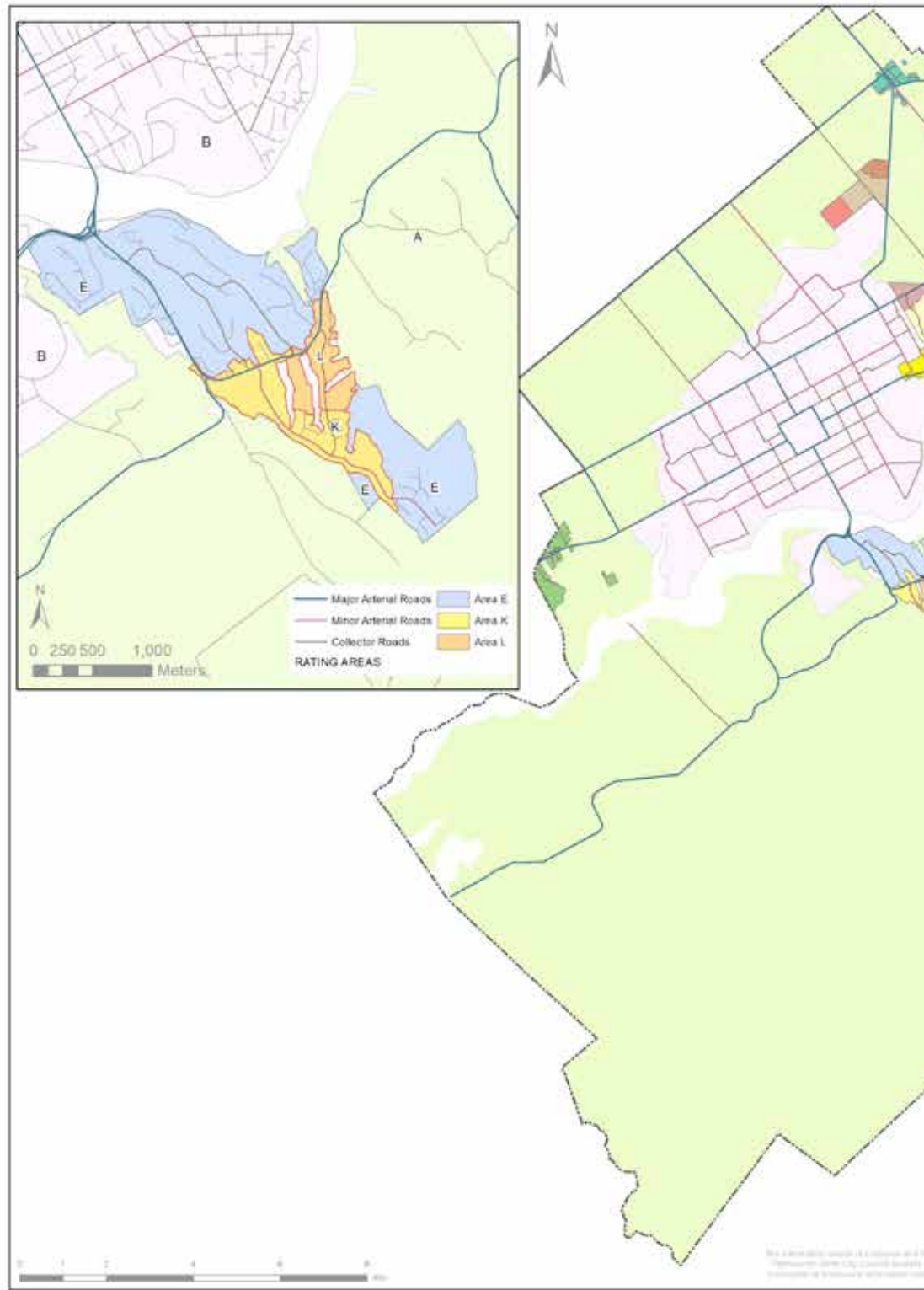
NO. Council will no longer accept land as a Development Contribution. All land requirements for reserves purposes are now obtained through Council purchases outside of this Development Contributions Policy.

What developments don't require Development Contributions?

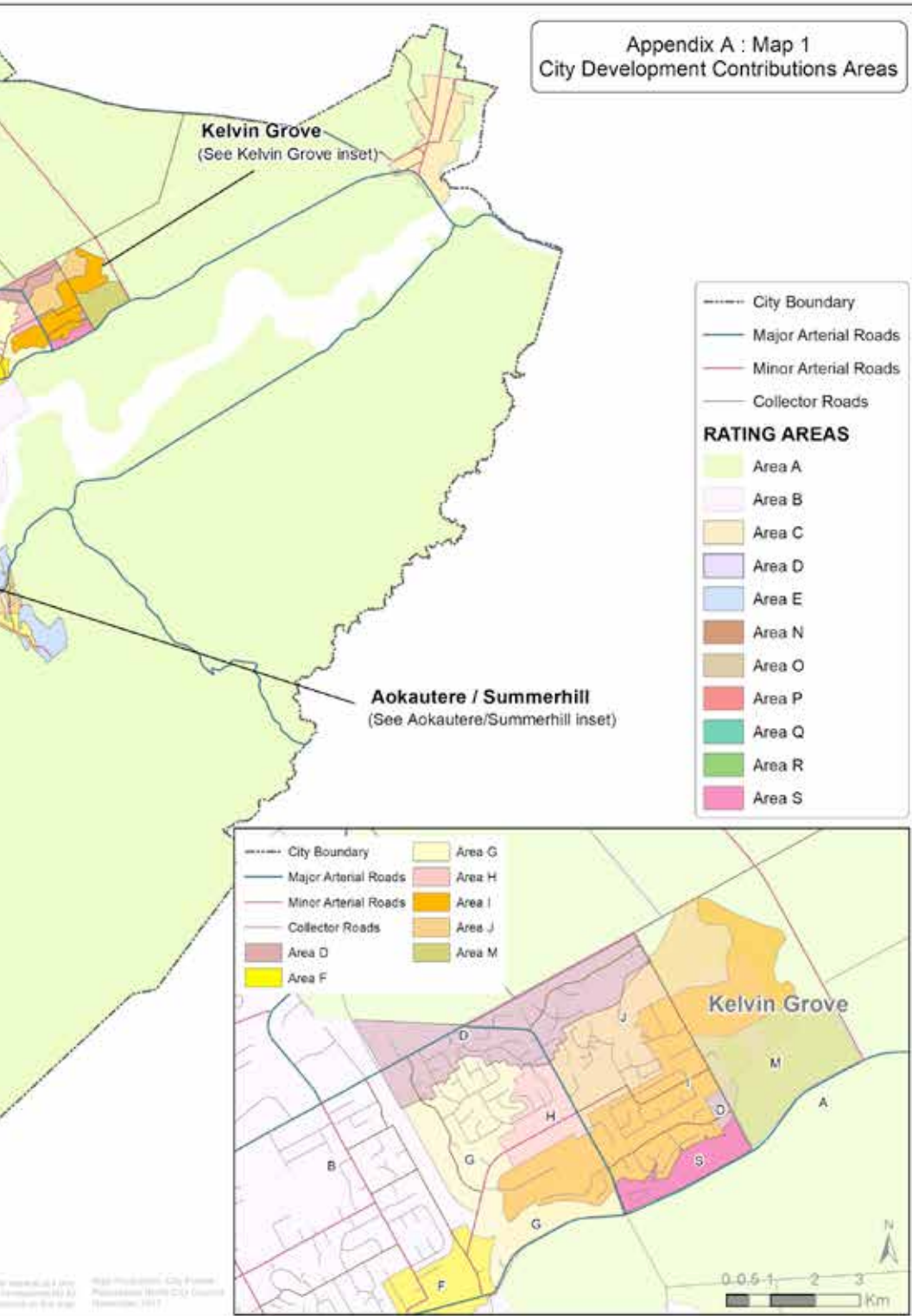
Redevelopment of already developed non-residential land may not trigger a Development Contribution. This is because it occurs in established areas and the new or altered activities and buildings established on the site generally do not create additional Units of Demand on the network infrastructure. Please check with Council.

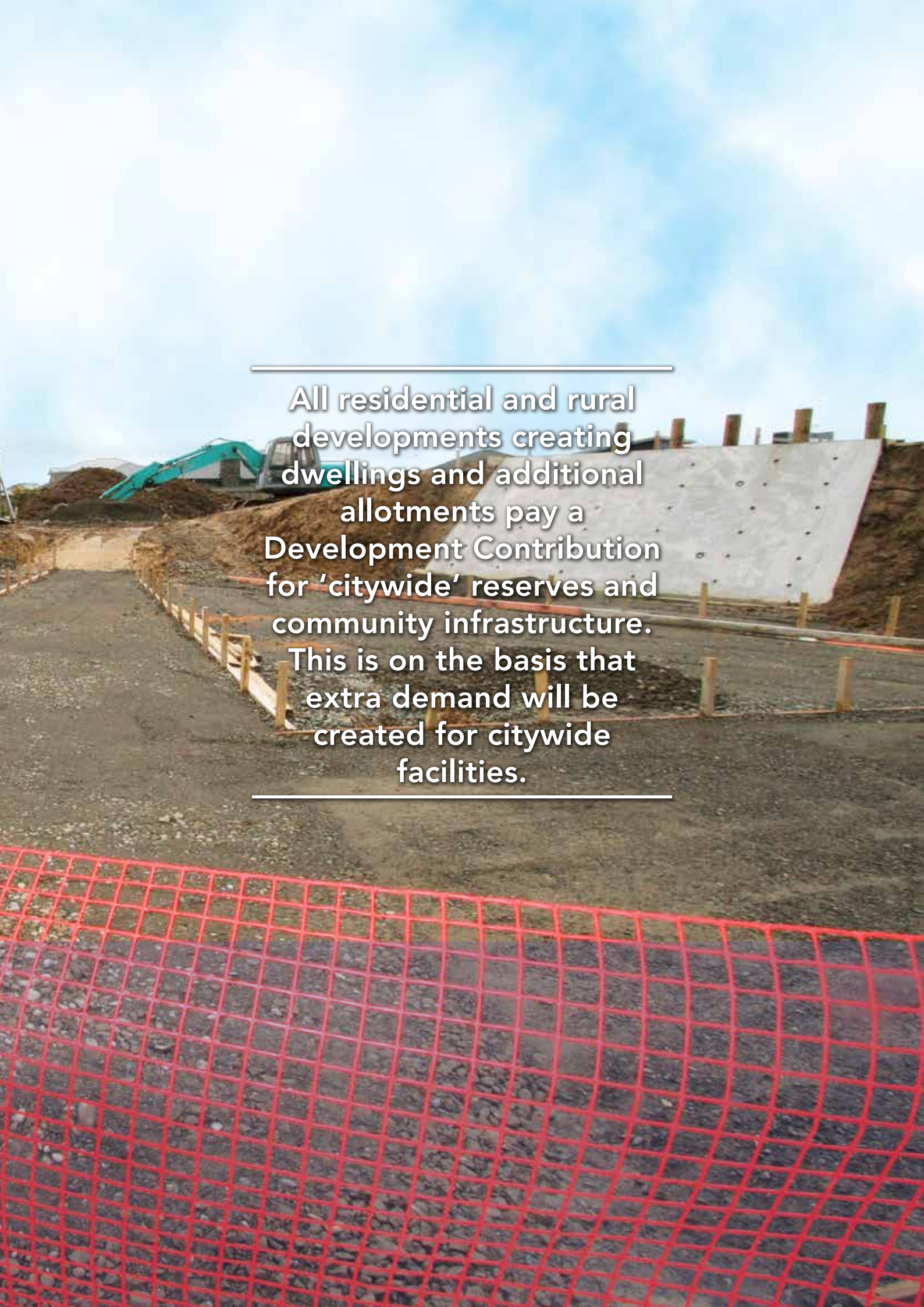
What is a Unit of Demand and how is it calculated?

Different measurements are used to allocate units of demand for each community service and facility – water, wastewater, roads, reserves, community facilities such as halls and playground equipment. There are differences across each category between residential, rural and non-residential developments due to the varying demand they place on network infrastructure.



Distribution Areas Map



A construction site under a blue sky with light clouds. In the background, a large concrete wall is being built, with several vertical rebar columns protruding from the top. To the left, a blue excavator is visible, working on a pile of earth. The foreground is a gravel-covered area, partially enclosed by a red plastic safety fence. The text is centered over the image, framed by two horizontal lines.

All residential and rural developments creating dwellings and additional allotments pay a Development Contribution for 'citywide' reserves and community infrastructure. This is on the basis that extra demand will be created for citywide facilities.



A levy for Water

Let's look at the 20 year growth costs for water as an example of how Council calculates the Development Contribution for water:

All residential and non-residential development is assumed to create units of demand for water services. All rural development is assumed to create zero units of demand for supplied water.

The measure for a residential unit of demand is:

- each additional allotment at subdivision; or
- each connected household unit at building consent or service connection.

The measure for a non-residential unit of demand is:

- each 100m² of allotment area at subdivision; or
- each 100m² of Gross Floor Area (GFA) at building consent or service connection.

A similar formula applies for wastewater and roading.

Stormwater

Most of the city's stormwater catchments are fully developed. For this reason, additional development within most stormwater catchments does not trigger a Development Contribution levy. Development Contribution levies for stormwater only apply in the Aokautere, Kelvin Grove, and North East Industrial Zone Extension Area stormwater service catchments where the infrastructure is not yet fully developed. In these areas, the measure of a unit of demand for stormwater is each 700m² of allotment area.

Reserves and Community Infrastructure

This is made up of two distinct parts: land zoned as reserve for recreational purposes, and the community infrastructure on those reserves. This includes playgrounds, car parks, and fences.

The reserves and community infrastructure assets are also distinguished at two levels - "citywide" and "local".

Citywide reserves are destinations accessed for recreational purposes from all areas of the City. Facilities like the Esplanade and citywide walkways are used by people from across Palmerston North. Local reserves and community infrastructure primarily serve a local area.

All residential and rural developments creating dwellings and additional allotments pay a Development Contribution for 'citywide' reserves and community infrastructure. This is on the basis that extra demand will be created for citywide facilities.

Developments within the Kelvin Grove and Aokautere areas also pay a Development Contribution for 'local' reserves and community infrastructure. This is because reserves and community infrastructure in these areas are not fully developed.

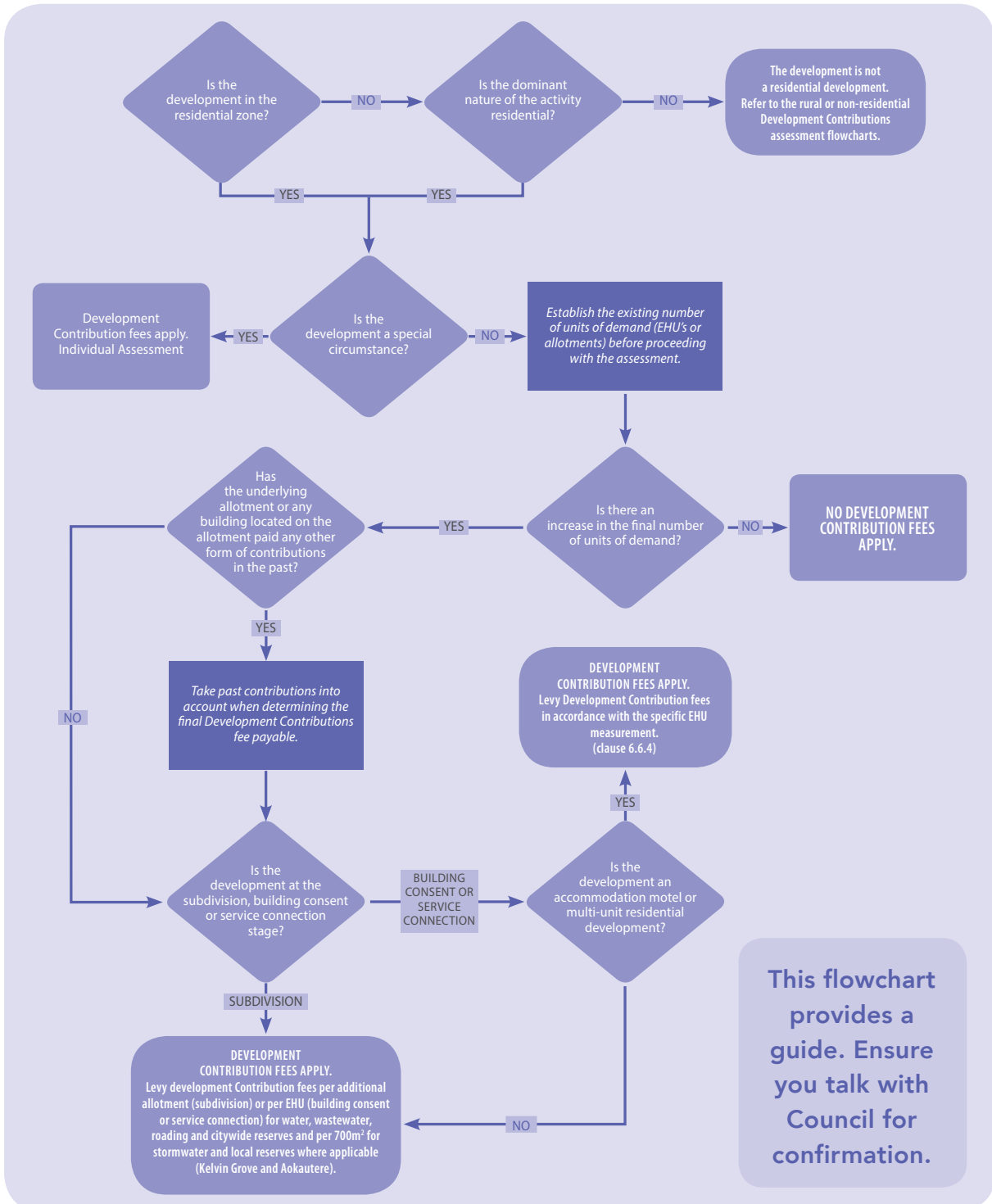
If you have a Rural, Residential or Non-Residential development proposal, go to pncc.govt.nz, enter Development Contributions and assess if you are liable.

Assess if you need to pay a Residential Development Contribution

(The flow chart below provides an example of how you determine whether you need to pay a Development Contribution for residential development, see paragraphs 7.2 & 7.3 of the Development Contributions Policy pncc.govt.nz for Rural and Non-Residential developments)

FIRST, GETTING TO GRIPS WITH EHU'S AND GFA

An EHU is an Equivalent Household Unit. This is the basis for assessing demand for services when calculating Development Contributions. Each new residential allotment (section) or dwelling is deemed to create one unit of demand (one EHU). Because non-residential developments also create demand for water and other services, every 100m² of Gross Floor Area(GFA), is deemed to create a unit of demand (EFU).





You can self-calculate what you will pay

If you are liable for a Development Contribution, you are able self-calculate a provisional estimate of what you may need to pay.

[STEP 1]

Identify **WHICH DEVELOPMENT CONTRIBUTIONS AREA** your development sits within.

Go to www.pncc.govt.nz, enter Development Contributions and look for Appendix A of the Policy.

[STEP 2]

Confirm what **TYPE OF DEVELOPMENT** it is - Residential, Rural or Non-Residential.

Determine the **STAGE OF DEVELOPMENT**
- Subdivision, Building Consent or Service Connection

[STEP 3]

Establish **HOW MANY UNITS OF DEMAND** your development will create for each of the community facilities

Check how to measure Units of Demand – see Table 4 of the Policy

[STEP 4]

Identify the **FEES PAYABLE PER UNIT OF DEMAND** your development will create for each of the community facilities.


Go to the Schedule of Fees (Section 8 of the Policy)

[STEP 5]

CALCULATE YOUR TOTAL DEVELOPMENT CONTRIBUTION by adding the individual community facilities charges established in steps 1-4. Add GST

Multiply the charges by the number of units of demand applicable.

NOTE: Your calculation is provisional and needs confirming by Council.
You are welcome to supply your calculation to us -
consentplanners@pncc.govt.nz

A man and a woman, both dressed in professional business attire (suits), are standing in a modern kitchen. They are looking towards the right side of the frame. The kitchen features light-colored cabinetry, a stainless steel sink with a high-arc faucet, and a built-in oven. On the countertop, there are two small woven baskets filled with green herbs. The lighting is bright and even, suggesting a well-lit indoor space.

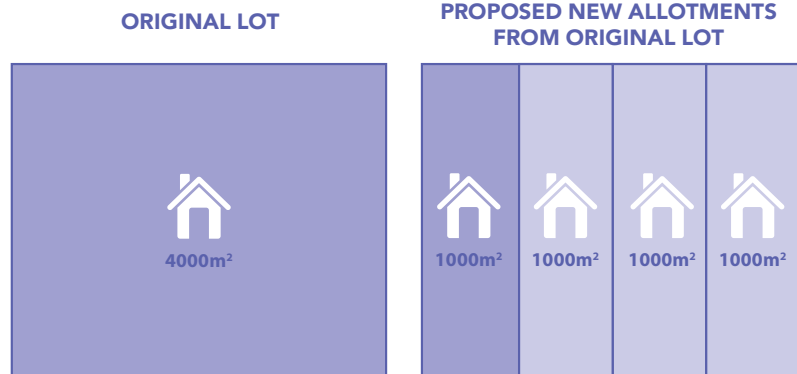
Without Development Contributions, general ratepayers would be subsidising or paying for infrastructure that others would be benefiting from



Here's an example of a Residential Subdivision



A subdivision is proposed for an original lot size of 4000m². This will result in 3 new allotments of 1000m². The Development Contributions applies to these 3 new units of demand being created.



[STEP 1 & 2]

What **DEVELOPMENT CONTRIBUTION AREA** is the development in?
AREA H TYPE OF DEVELOPMENT? (RESIDENTIAL ACTIVITY)

[STEP 3]

What is the **UNIT OF DEMAND** for each Community Facility being created for the proposed development?

FORMULA: ROW 1 – ROW 2 = ROW 3

		WATER	WASTEWATER	ROADING	CITY RESERVES
How many final units of demand will there be?	Row 1	4	4	4	4
How many existing units of demand are there?	Row 2	1	1	1	1
TOTAL demand created for each community facility	Row 3	3	3	3	3

[STEP 4]

CALCULATE THE AREA BASED CHARGES

Stormwater:	3000m ² /700m ²	=	4.2
Local Reserves	3000m ² /700m ²	=	4.2

These contributions are based on the total land area being developed (less area in road/s) i.e. the measure of a unit of demand is per 700m².

[STEP 5]

CALCULATE YOUR TOTAL DEVELOPMENT CONTRIBUTION

Water:	3 (additional allotments)	x	\$1,568	=	\$4,704
Wastewater:	3 (additional allotments)	x	\$1,544	=	\$4,632
Stormwater:	4.2 (3000 m ² /700 m ²)	x	\$2,363	=	\$9,925
Roading:	3 (additional allotments)	x	\$2,234	=	\$6,702
City Reserves:	3 (additional allotments)	x	\$413	=	\$1,239
Local Reserves:	4.2 (3000 m ² /700 m ²)	x	\$512	=	\$2,150

TOTAL DEVELOPMENT CONTRIBUTIONS PAYABLE (excluding GST): \$29,352

Here's an example of Non-Residential Subdivision

Consider the example of a proposed non-residential subdivision. The proposed subdivision is for an original lot size of 10,000m² that has not paid any Development Contributions in the past at the subdivision stage. The original lot has an existing non-residential building located on it that was established prior to 1 July 2004. The proposed development does not meet the definition of a non-residential brownfield redevelopment. The proposed subdivision will result in the creation of 3 additional allotments each consisting of an area of 2000m², leaving a 4000m² remaining lot that will provide for the existing building. The Development Contributions applied will be worked out in relation to the 3 new allotments that will contain a total area of 6000m². The remaining lot of 4000m² with the existing building established prior to 1 July 2004 is excluded from the allotment area calculation.

[STEP 1 & 2]

**What DEVELOPMENT CONTRIBUTION AREA is the development in?
AREA A TYPE OF DEVELOPMENT? (RURAL ACTIVITY)**

[STEP 3]

**What is the UNIT OF DEMAND for each Community Facility
being created for the proposed development?**

FORMULA: ROW 1 – ROW 2 = ROW 3

		WATER	WASTEWATER	ROADING	CITY RESERVES
How many final units of demand will there be?	Row 1	10,000m ²	10,000m ²	10,000m ²	N/A
How many existing units of demand are there?	Row 2	4,000m ²	4,000m ²	4,000m ²	N/A
TOTAL demand created for each community facility	Row 3	6,000m ²	6,000m ²	6,000m ²	N/A

(Note: An existing unit of demand is determined by either an existing equivalent residential unit on the site such as a dwelling or if a past contribution has been paid in respect to that development. Refer to paragraph 11.2 of the Policy.

[STEP 4]

CALCULATE THE AREA BASED CHARGES

Not applicable

[STEP 5]

CALCULATE YOUR TOTAL DEVELOPMENT CONTRIBUTION

Water:	(6000/100) = 60 Units of Demand (100m ² of Allotment Area)	x	\$314	=	\$18,840
Wastewater:	(6000/100) = 60 Units of Demand (100m ² of Allotment Area)	x	\$564	=	\$33,840
Roading:	(6000/100) = 60 Units of Demand (100m ² Allotment Area)	x	\$715	=	\$42,900

TOTAL DEVELOPMENT CONTRIBUTIONS PAYABLE: \$95,580

Please refer to section 10 of the Development Contributions Policy for examples of illustrating the calculation process associated with rural Development Contributions.

We hope this guide is helpful. Please ensure you refer to the Council's website – pncc.govt.nz and enter Development Contributions – for further details.

If you are considering a development, Council strongly advises that you assess and confirm what Development Contributions are payable before you commit to a project. Any self-assessment of Development Contributions needs to be submitted to Council for confirmation.

We advise that you visit or ring Council at (06) 356 8199 and ask to speak to a Consents Planner before you proceed with any development.

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