

Statement of Proposal

2020/21 Development Contributions Policy

Under the Local Government Act 2002 Council may require development contributions. Council has had a Development Contributions Policy in place since 1 July 2004. This Policy has been reviewed annually in conjunction with the Council's Annual Plan or Long-Term Plan process, with an amended Policy becoming operative on 1 July of each subsequent year.

The Draft 2020/21 Development Contributions Policy (2020/21 Policy) forms part of this proposal and includes revised schedules of charges (Tables 1 – 3 in Section 1).

This Statement of Proposal sets out:

- The reasons for the proposal;
- An analysis of the reasonable practicable options;
- A summary of proposed policy amendments for the 2020/21 Policy;
- A summary of the differences in fees and charges from the 2019/20 Policy compared to those in the draft 2019/20 Development Contributions Policy; and
- A copy of the Draft 2020/21 Policy.

Reason for the Proposal

Development contributions are an integral component in Council's funding strategy, specifically in regard to the funding of growth-related capital expenditure. The proposed 2020/21 Development Contributions Policy will allow Council to continue to collect Development Contributions.

Reviewing, updating and amending the Development Contributions Policy ensures that the charges are based on the best possible data available to Council.

How to submit

Any organisation, group or member of the public may make a submission to Council in regard to the content of the Draft Development Contributions Policy. The Draft Policy will be distributed after 24 March 2020 along with information regarding methods to submit.

Full copies of the Statement of Proposal, the Draft Policy document and the submission forms are available from Council's Willow Street Customer Service Centre, the Tauranga, Mount Maunganui, Greerton and Papamoa Libraries and on Council's website at www.tauranga.govt.nz.

If you also wish to present your submission in person to the Mayor and Councillors then please indicate this on your written submission and Council staff will be in touch to advise you of dates for verbal submissions.

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Analysis of Reasonably Practicable Options

The table below contains an analysis of the reasonable practicable options for the funding of growth-related capital expenditure incurred by Tauranga City Council. This includes the current proposal.

Option	Analysis
Charge Development Contributions under the Local Government Act 2002	<p>Population and urban growth of the city is the reason much of Council's capital expenditure needs to be undertaken. As the cause of this expenditure, it is fair that a significant portion of this cost is recovered directly from the development community through the collection of development contributions. While this does create a significant upfront cost for development, if these costs were not funded by development, the main alternative would be to increase rates by a substantial amount. Council's view is that this would impose an unfair financial burden on the ratepayers of the city.</p>
Financial contributions under the Resource Management Act 1991	<p>Financial contributions are similar to development contributions. The main differences are that:</p> <ul style="list-style-type: none"> • The implementation of a financial contribution system is open to merits-based appeal through the Environment Court for each individual development. This adds cost, time and uncertainty for Council. • The adoption and subsequent review of financial contribution systems is also open to merits-based appeal through the Environment Court. This adds further cost, time and uncertainty for Council. <p>For these reasons, Council has, in most cases, chosen to use development contributions rather than financial contributions to fund growth-related capital expenditure. The limited circumstances where Council has chosen to use financial contributions are:</p> <ul style="list-style-type: none"> • Where specific organisations are exempt from the payment of development contributions but not financial contributions. • To fund local reserve infrastructure within the Papamoa urban growth area. <p>These provisions are summarised in the Draft 2020/21 Development Contributions Policy and are set out in detail in Council's City Plan..</p>
Rates-funded loans	<p>This would involve growth-related capital expenditure being funded in the same manner as most of Council's other capital expenditure – through loans that are repaid through the collection of rates. This would impose the cost of growth-related capital expenditure on the whole community rather than targeting the funding of these costs at the growth community which have caused these costs to be incurred.</p>
Targeted rates	<p>This would be similar to development or financial contributions in the sense that funding would still be targeted at the growth community. The primary difference is that development contributions are charged upfront whereas the targeted rate would recover the costs over a period of time. This option would increase rates on new properties by a significant amount for an extended period of time. For example, it could potentially double rates for a period of 20 years. This is unlikely to be popular and may cause Council difficulties in the future when properties are sold to new owners. This has been Council's experience to date with a relatively modest targeted rate in The Lakes development. It should also be noted that Council has not fully explored the details associated with implementing this type of</p>

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	targeted rate under the Local Government (Rating) Act 2002, and some legal impediments may exist.
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Summary of proposed amendments to the 2019/20 Development Contributions Policy

1. The content of the 2020/21 Development Contributions Policy has not changed materially compared to the Operative Policy. A version of the Draft Policy showing tracked changes is available from Council upon request. Key changes that have been made to the policy compared to the Operative Policy are discussed below.

Updated Development Contribution Fees

2. Council reviews and updates all planned capital expenditure works on an annual basis. Changes to the development contribution funded works result in changes to development contribution fees. The following table shows the fees that are included in the Draft 2020/21 Development Contributions Policy and the percentage change compared to the current 2019/20 Development Contributions Policy.

Catchment	Charge basis	2019/20 DC Fees	Proposed 2021 DC Fees	Movement	Percentage change
Citywide	Per household	\$8,538	\$9,946	\$1,408	16%
Bethlehem	Per additional lot	\$12,495	\$ 12,516	\$21	0.2%
Ohauti	Per additional lot	\$11,334	\$11,272	(\$62)	-0.5%
Papamoa	Per additional lot	\$8,673	\$ 8,701	\$28	0.3%
Pyes Pa	Per additional lot	\$6,750	\$ 6,802	\$52	0.8%
Pyes Pa West	Per additional lot	\$30,758	\$ 29,752	(\$1,006)	-3.3%
Tauranga Infill	Per additional lot	\$3,568	\$ 3,614	\$46	1.3%
Tauriko	Per hectare	\$359,759	\$ 378,911	\$19,152	5.3%
Wairakei					
Sub catchment A	Per hectare	\$483,220	\$517,527	\$34,307	7.1%
Sub catchment B	Per hectare	\$331,678	\$367,250	\$35,572	10.7%
Sub catchment C	Per hectare	\$667,971	\$685,456	\$17,485	2.6%
Welcome Bay	Per additional lot	\$8,457	\$ 8,480	\$23	0.3%
West Bethlehem	Per additional lot	\$26,332	\$ 27,621	\$1,289	4.9%

3. Causes for the changes in the development contribution fees are discussed on the following page.

Citywide Fees

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4. The Citywide development contributions have increased from \$8,538 per household to \$9,919 per household. This increase is driven by the cost to construct the Te Maunga Wastewater Treatment Plant and by the increased cost to construct a large Trunk Watermain project which is funded via citywide development contributions.
5. The costs increase in the Te Maunga Treatment Plant are due to increased preliminary and general costs and contractor margins. The national trend has been going upward the last couple of years. There has also been an increase in costs due to poor ground conditions and the requirement for additional subfloor ground support for the bioreactor.
6. The new costs for the Trunk Watermain project are based on costing knowledge of similar projects which are already tendered and under construction as part of the Waiari Water scheme. Cost increases are reflective of market costs and include risk allowances.

Bethlehem, Ohauti, Papamoa, Pyes Pa, Pyes Pa West, Tauranga Infill and Welcome Bay

7. The fluctuation in fees for development in these catchments are due to small changes in a number of different aspects which influence the final fee. They include small changes to project costs, changes in cost of capital and inflation allowances (which are calculated based on the expected time of constructing projects compared to expected timeframe of recovering the debt) and changes in timing of delivery. Most of these catchments also include a contribution towards the Southern Pipeline project which has also increased minimally (increase of \$46 per lot due to updates to cost of capital calculations).
8. The decrease in the charge per lot in Pyes Pa West is primarily related to funding received from the New Zealand Transport Agency (NZTA) towards some of the higher value projects in that catchment. When funds are received from NZTA this decreases the portion of costs that are recovered as development contributions. These funds were received retrospectively (i.e. after the funds were spent) and so weren't previously accounted for in the funding apportionments.

Wairakei

9. The cost for development in the Wairakei catchments is increasing by approximately \$30,000 per hectare. These costs increases are primarily driven by increases for several planned wastewater projects – more specifically the costs of the Opal Drive and Wairakei Trunk networks.
10. These project costs were revised based on needs identified in a review of the wider wastewater networks needs for the eastern corridor area of Tauranga. The review considered wastewater network constraints, future needs and the ground conditions of the area to ensure that planned projects will provide adequately for future populations and resilience. The review also identified a number of new design requirements and provided a greater understanding of constraints and risk to be managed throughout construction.

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Tauriko

11. The increase in development contribution costs for Tauriko primarily relates to the revised wastewater infrastructure required to service the far eastern catchment of Tauriko. The previously planned pump station is no longer considered a viable option to service the entire catchment area, therefore revised costs have been included for a new wastewater scheme that will in part service the Tauriko catchment. 39% of the new project costs (or \$8.1M) will be funded from development contributions in Tauriko. This funding proportion is based on the expected wastewater flow from Tauriko compared to the wastewater flows from other areas of future development.

West Bethlehem

12. The increase in charges for West Bethlehem relates to a Council decision to subsidise development contribution levies in that catchment. The value of the subsidy decreases each financial year so that the levy will continue to increase until no subsidy is required. The Development Contributions Policy includes *Table 70: Future local development contribution for West Bethlehem as discount reduces*. This demonstrates the future project increases in fees for West Bethlehem as the value of the subsidy reduces.

Future development contributions increase

13. Section 1.4 of the DRAFT 2020/21 Development Contribution's Policy includes a section which discusses expected changes to future development contributions policies. As with the Operative Policy there is a note outlining that the Citywide Development Contribution is expected to increase significantly in the 2022 financial year. At this stage the exact quantum of this increase is not known as it is dependent on the final financial cost of constructing the Waiari Water Supply Scheme and is subject to future decisions made by the Council over the next financial year, for example Council will be considering options to fund a number of planned community facilities using Citywide Development Contributions.