

9 Rationale for funding the costs of growth through development contributions

9.1 Legislative background

9.1.1 Section 106(2)(c) of the Local Government Act 2002 requires this Policy to explain why the Council has determined to use development contributions as a funding source, by reference to the matters referred to in section 101(3) of the LGA 2002 detailed below.

9.2 Community outcomes

9.2.1 The following community outcomes have particular relevance to the decision of how to fund growth related infrastructure:

- Wellington’s long-term environmental health will be protected by well-planned and well-maintained infrastructure.
- Opportunities for active and passive recreation in Wellington will be diverse, safe, affordable, accessible and attractive.
- Wellington’s communities will have ready access to multi-use indoor and outdoor facilities and spaces.
- Wellingtonians will protect and have access to public green open spaces and the coast.
- Wellington’s governing bodies will comply with all legislative requirements and will behave in an ethical and fair manner.

9.2.2 Charging new development for the additional infrastructure ensures a fair contribution to the community outcomes. This means, for example, that:

- Traffic resulting from development is managed by a programme of works that maintains existing traffic flow, pedestrian and cycle access, parking and safety standards;
- Large, efficient reservoirs and pumping stations are built and shared across a number of developments; and
- Reserves are created and developed to service growth.

9.3 Distribution of benefits and the extent to which particular individuals or groups contribute to the need to undertake an activity

9.3.1 It is appropriate that development contributions fund additional capacity in water supply, wastewater, stormwater, roading, reserves and community infrastructure. The benefits of this additional capacity accrue to new households (EHUs) and businesses generating demand for that capacity. Development contributions paid by developers are likely to be passed on through section and building prices to the residents of new households and businesses. Existing residents and businesses,

however, gain no direct benefit from, and should not be required to fund through rates, the addition of capacity to existing networks that adequately meet their needs.

- 9.3.2 Conversely, the cost of maintaining or improving levels of service provided by the city’s infrastructure to the existing population cannot be included in capital expenditure to be funded out of development contributions, as this expenditure does not benefit developers or new households.

9.4 Costs and benefits of funding the activity distinctly from other activities

- 9.4.1 The benefits of funding additional infrastructure capacity resulting from development growth through development contributions include greater transparency and allocative efficiency through passing on the actual costs to developers. The use of catchments also aids transparency and allocative efficiency by signalling the variations in the cost of providing infrastructure according to the characteristics of the particular locality and the nature of the works required. Although development contributions are not a significant administrative cost once systems are established, for small catchments collection of development contributions may not be cost effective and therefore a citywide fee will be more efficient for some activities with a large number of widely located projects. Citywide fees are also appropriate when infrastructure operates as a network (eg sportsfields).

9.5 Overall impact on community well-being

- 9.5.1 Ensuring adequate levels and balance between the various sources of funding to provide appropriate infrastructure is central to promoting the social, economic, environmental and cultural well-being of the city. Funding the cost of providing increased capacity in the city’s infrastructure through development contributions rather than rates serviced debt promotes equity between existing residents and newcomers.
- 9.5.2 The Council resolved that it retains the option of departing from the principle that development should pay 100 percent of growth related capital expenditure for particular infrastructure if the Council were to be of the view, following the consideration of section 101(3) LGA factors, that there is a demonstrable case supporting a variation.