

11 How development contributions have been calculated

11.1 Local Government Act 2002 Requirements

11.1.1 Section 201(1)(a) of the Local Government Act 2002 requires this Policy to include, in summary form, an explanation of and justification for the way each development contribution in the schedule to this Policy is calculated.

11.1.2 In summary, each contribution has been calculated in accordance with the methodology set out in Schedule 13 of the Local Government Act 2002, by using the following seven step process.

Step	Explanation	Local Government Act 2002 Reference
One	<p>Define catchments</p> <ul style="list-style-type: none"> ▪ A catchment is the area served by a particular infrastructure, eg reservoirs, pumping stations and pipes. ▪ Catchments are defined with reference to characteristics of the service, the common benefits received across the geographical area supplied and judgement involving a balance between administrative efficiency and the extent of common benefits. 	Sch 13 (1) (a)
Two	<p>Identify 10-year capital expenditure resulting from growth</p> <ul style="list-style-type: none"> ▪ The proportion of total planned costs of capital expenditure for network and community infrastructure and reserves from the LTCCP resulting from growth. ▪ Growth costs (capacity increase to cater for new entrants) can be funded in full or in part by using development contributions. This is one of three components of the total 10-year capital costs budgeted in the LTCCP, the other two components being level of service improvements and renewals. These two costs must be met from funding sources other than development contributions. ▪ Justification for the level of growth capital expenditure should be supported by financial management funding considerations (refer to 9 above) and show significant assumptions and impacts of uncertainty. 	<p>S 106 (2) (a) and Sch 13 (1) (a)</p> <p>S 106(2) (a)</p> <p>S 101 (3) (a) S 201 (1) (b)</p>
Three	<p>Identify the percentage of growth related 10-year capital expenditure to be funded by development contributions</p> <p>Unless the Council wishes to reduce fees for clear policy reasons, this is likely to be 100 percent in most cases, because:</p> <ul style="list-style-type: none"> ▪ it directly relates to the planned capital expenditure set out in the LTCCP and detailed in the Council’s Asset Management Plans and ▪ the capital expenditure identified for growth can be reasonably identified. 	S 106 (2) (b)

Step	Explanation	Local Government Act 2002 Reference
Four	<p>Identify the appropriate units of demand</p> <p>The selected unit of demand is Equivalent Household Units (EHUs) calculated as follows:</p> <ul style="list-style-type: none"> ▪ For a greenfield development, an allotment, eg in Northern Growth developments the average lot size is 550 - 600m². ▪ EHUs will be applied uniformly for each lot regardless of size for reasons of administrative simplicity and lot size is not considered to have a material impact on demand. ▪ For non residential development, 55m² (based on average space per office worker of 21m² and an average number of persons per household in the Wellington region of 2.6 (per the 2006 census) or by self-assessment supported by an impact report or by special assessment whereby the Council prepares an impact report as a basis for assessment. ▪ For an infill development, a residential dwelling as defined in clause 5 - Definitions. 	Sch 13 (1) (b)
Five	<p>Identify the designed capacity (in units of demand) provided for growth</p> <ul style="list-style-type: none"> ▪ The designed capacity may vary between different types of infrastructure. In many cases it will be considered economically prudent to provide spare growth capacity considerably beyond current 10-year expectations. For example, large scale, high cost citywide infrastructure such as a sewerage treatment plant will have significantly more designed capacity for growth than ongoing roading improvements. ▪ Costs are recovered across the full designed number of EHUs. Projected growth in EHUs over the 10 year period of the LTCCP will be relevant to the Council's budgeting of revenue but not to the calculation of the development contribution per EHU. 	Sch 13 (1) (b) & (2)
Six	<p>Allocate the costs to each unit of demand for growth</p> <ul style="list-style-type: none"> ▪ The development contribution charge per EHU is calculated by dividing the total capital expenditure resulting from growth (step two) by the designed units of demand for growth (step five). 	Sch 13 (1) (b)
Seven	<p>Input results to comprehensive schedule of fees by catchment</p> <ul style="list-style-type: none"> ▪ A detailed schedule must be prepared as part of this Policy that enables the development contributions to be calculated by infrastructure type and catchment. ▪ This Policy will be supported by the significant assumptions made to determine the development contributions payable and their impacts, contribution and conditions and criteria for remission, postponement or refund, the valuation basis for assessment of maximum reserves and catchment maps. 	S 201 (2) S 201 (1) (a) S 201 (1) (b), (c) & (d)

11.2 Significant assumptions

11.2.1 Section 201(b) of the Local Government Act 2002 requires this Policy to state significant assumptions underlying the calculation of the schedule of development contributions.

System-wide view

11.2.2 In developing a methodology for the development contributions, the Council has taken a system-wide view in identifying the cumulative effect of development on infrastructure, ie by considering the infrastructure impacts on all ratepayers created by both individual and multiple developments across a catchment. For citywide catchments this means growth is proportionally reflected in total capital expenditure.

Planning horizon

11.2.3 The planning horizon varies by infrastructure type typically ranging from 10 years to more than 50 years. This is consistent with the Council's asset management planning. Longer horizons may result in larger capital expenditure for some projects but also means the costs are spread across a larger designed city capacity (ie greater number of EHUs).

Growth forecasts

11.2.4 The overall planning assumption is for a 10 percent increase in growth and capacity for renewals and upgrades for citywide catchments to take account of the impact on infrastructure of continuing growth within the city over the next 10 years.

Application of costing methods

11.2.5 Average costs have generally been applied to the allocation of capital expenditure between existing and new EHUs. In most cases, it is a difficult and complex exercise to determine incremental costs and average costs reflect a fair allocation of capital infrastructure costs to newcomers.

Cost of individual items of capital expenditure

11.2.6 The Council has used the best information available at the time of developing this Policy to estimate the cost of individual items of capital expenditure that will be funded in whole or part out of development contributions. It is likely that actual costs will differ from estimated costs due to factors beyond the Council's ability to predict, such as changes in price of raw materials, labour, etc, and the time of capital works. The Council will review its estimates of capital expenditure annually and adjust the LTCCP.

Financial assumptions

11.2.7 The following financial assumptions have been applied:

- All costs in this Policy are based on budgeted infrastructure prices and allowance has been made for inflation from 2010/11.

- Income generated from rates will be sufficient to meet the operating costs of growth related capital expenditure into the future.
- All New Zealand Transport Authority subsidies will continue at present levels and eligibility criteria will remain unchanged.
- The methods of service delivery will remain substantially unchanged.