

# FAQ SHEET

## DEVELOPMENT CONTRIBUTIONS

### WHAT IS A DEVELOPMENT CONTRIBUTION?

A Development Contribution (DC) is a charge that developers pay to help recover the additional costs of network infrastructure in the Rotorua Urban Area required to support growth, for example water, wastewater or stormwater infrastructure, roading and/or parks and reserves.

### WHAT DO THEY FUND?

Under Rotorua Lakes Council's DC Policy (DCP), contributions will be charged only for the impact of growth on the capacity of the three waters network infrastructure activities. The list of projects that they are intended to help fund is listed in the Policy.

Council intends to consider expanding the scope of the DCP to include growth-related investments for Transport, Community Facilities and Reserves as part of the next Long-term Plan process.

### WHY DO WE CHARGE DEVELOPMENT CONTRIBUTIONS?

Population growth and other development is creating a need for new and expanded infrastructure. Rotorua Urban Area is seeing a big increase in residential development. This is creating significant demand for Council infrastructure. Cost increases are adding pressure on rates affordability and Council has increased debt.

The key purpose of DCs is to ensure the person/business doing the development pays a fair share of the capital cost for new or expanded infrastructure required due to growth. DCs will not be used to fund the maintenance or improvement of infrastructure for existing users. This cost will be met from other sources such as rates and debt.

### WILL DEVELOPMENT CONTRIBUTIONS RAISE HOUSE PRICES?

House prices are determined by the market balance of supply and demand. DCs will add to the cost of development and developers may seek to recover the DCs with increased prices. The additional DC cost is not large compared to the other costs of development. It is not possible to forecast exactly what will happen to house prices in every part of the city.

### ARE DEVELOPMENT CONTRIBUTIONS CHARGED FOR AFFORDABLE OR SOCIAL HOUSING?

Central government is responsible for affordable and social housing. The council supports affordable and social housing through the investments it makes in infrastructure.

Affordable and social housing are charged DCs as they place the same demand on infrastructure as other developments.

### HOW HAS INFRASTRUCTURE BEEN FUNDED PREVIOUSLY?

Council had a DCP from 2006 to 2014 but due to very low growth and reduced pressure on community facilities and network infrastructure 10 years ago, Council removed the DCP in 2014.

Financial Contributions under the RMA are also charged for reserves/community purposes. In addition, Council has charged financial contributions for other infrastructure on a case-by-case basis under the provisions of the District Plan.

### IS MY PROPERTY IN AN AREA WHERE A DEVELOPMENT CONTRIBUTION MAY BE CHARGED?

Council has decided to only charge DCs for the Rotorua Urban Area. The areas subject to development contributions may be expanded when the policy is reviewed, for example if Council decides to use development contributions to fund Transport, Community Facilities and Reserves. The areas covered by the new DC charges are in Part 3 of the DCP.

### WHAT TYPE OF DEVELOPMENTS WILL DEVELOPMENT CONTRIBUTIONS APPLY TO?

Developments that require a subdivision consent, land use consent, building consent or service connection will be assessed for DCs. These include:

- new subdivisions (which may be fee simple, cross lease, or unit title);
- new house builds;
- minor dwellings (granny flats and small units);
- new retail and commercial space;
- new tourist accommodation;
- extensions to commercial buildings;
- change-of-use that causes additional demand on services.

Development Contributions will not be required for additions or alterations to an existing house, such as a new deck, living area, or garage, unless it adds a kitchen and creates an additional residential unit.

### WHAT IS THE DIFFERENCE BETWEEN DEVELOPMENT CONTRIBUTIONS AND FINANCIAL CONTRIBUTIONS?

Development Contributions and Financial Contributions can both be charged to help fund the costs of infrastructure. Development Contributions are charged under the Local Government Act 2002 and are used to fund planned and budgeted capital expenditure related to the impacts of development growth for the activities and assets listed in the Rotorua Lakes Council DCP.

Financial contributions are charged under the Resource Management Act 1991 as part of the resource consent process to address the effects of subdivision and development in the District, and are a means of achieving the objectives of the Rotorua District Plan.

The Council can elect to use neither, one, or both contributions as a funding source. However, a Development Contribution cannot be required by Council if a financial contribution has already been required from the development for the same purpose.

### ARE FINANCIAL CONTRIBUTIONS FOR RESERVES STILL BEING CHARGED?

Financial Contributions for reserves are still being charged under the District Plan. Council may consider replacing these with Development Contributions for reserves in the future.

### HOW ARE THE CHARGES CALCULATED?

DCs are calculated by dividing the council's capital expenditure for growth by the estimated number of new growth units (both residential and non-residential) over the next nine years to 2031. A Development Contribution calculation is based on the number of Household Unit Equivalents or HUEs (one HUE = the average demand of a residential household unit). Each development is assessed based on the impact on infrastructure services in the location (catchment) where the development is located.

All residential houses are considered to be one HUE. Small dwellings (less than 73 m<sup>2</sup>) are recognised as an important part of the overall housing strategy that Council is wishing to support. As such, these minor dwellings will be levied at 50% HUE.

Commercial and Industrial (non – residential) developments must be converted to HUE equivalents by way of a conversion factor. The conversion factor has been determined by the characteristics of the activity and the demand loadings likely to be placed on the services.

Developers or the Council can request a 'special assessment' if the proposed development clearly has a significantly greater or lesser impact than that envisaged in the averaging implicit in the methodology. Appropriate supporting information and details will need to be provided.

## WHAT ARE THE DEVELOPMENT CONTRIBUTION CHARGES?

The proposed (2022/23) schedule of charges per HUE are listed in the table below: The full details of how to calculate the charges for residential and non-residential activities and the catchments are contained in the DCP.

Activity	Rotorua Urban Area including: Stormwater Area Eastern A, Stormwater Area Eastern C, Stormwater Area Central or Stormwater Area Ngongotaha	Rotorua Urban Area including: Stormwater Area Eastern B	Rotorua Urban Area including: Stormwater Area Western
Water Supply	\$2,231	\$2,231	\$2,231
Wastewater	\$1,746	\$1,746	\$1,746
Stormwater Area Eastern A	\$nil	\$nil	\$nil
Stormwater Area Eastern B	\$nil	\$6,253	\$nil
Stormwater Area Eastern C	\$nil	\$nil	\$nil
Stormwater Area Central	\$nil	\$nil	\$nil
Stormwater Area Western	\$nil	\$nil	\$8,282
Stormwater Area Ngongotaha	\$nil	\$nil	\$nil
Transportation	\$nil	\$nil	\$nil
Public Amenities	\$nil	\$nil	\$nil
Total DCs (including GST)	\$3,977	\$10,230	\$12,259

## DO ALL TYPES OF DEVELOPMENT PAY THE SAME PRICE?

Different types of development pay different DCs. DC charges are set at different levels for the same size of development depending on the demand they place on the need for the council to invest in infrastructure. Most of the differences are for non-residential developments, and Council has kept these to a minimum.

## ARE THERE CREDITS FOR EXISTING DEVELOPMENTS AND WHEN DO THEY APPLY?

Credits are applied under the DCP as a way of acknowledging that the lot or activity may already be lawfully established, or a development contribution has been paid previously. Credits can reduce or even eliminate the need for further development contributions.

Credits can only be used for development on the same site and for the same service for which they were created. Credits cannot be used to reduce the demand to below zero and cannot be redeemed as a payment by Council to a Developer.

## ARE DEVELOPMENT CONTRIBUTIONS CHARGED TO BUILD A HOUSE ON AN EXISTING VACANT SECTION?

Typically, no further development contributions will be payable when a single house is built on a vacant section because either a contribution will already have been paid at subdivision; or a credit will be applied for lots existing prior to this policy.

## WHEN ARE DEVELOPMENT CONTRIBUTIONS ASSESSED?

DCs are assessed in association with the following applications, normally at the first opportunity:

- Subdivision Consent
- Land Use Consent
- Building Consent
- Service connection

Advice of the DC charge payable will be included in the decision letter you receive as a result of lodging the application.

## WHEN DO DEVELOPMENT CONTRIBUTIONS NEED TO BE PAID?

Advice on the timing of the payment will be included in the decision letter you receive after lodging the application.

When Development Contributions are normally collected:

- Those assessed with subdivision consents: before issue of 224(c) Certificate.
- Those assessed with land use consent: on issuing of the consent and prior to commencement of the activity.
- Those assessed with building consents: at granting of the building consent.
- Those assessed with service connections: before issue of authority to make service connection.

**Note:** *When ready to pay the Development Contribution please request an invoice*

## CAN I DEFER THE PAYMENT OF MY DEVELOPMENT CONTRIBUTION? WHY DO I HAVE TO PAY NOW?

The payment timings have been set to accommodate the council's need to recover the cost of its investments on behalf of ratepayers in general. The policy includes the possibility to extend payment timing in some limited situations at Council's discretion.

## WHAT HAPPENS IF THEY ARE NOT PAID?

If payment of the Development Contribution is not received, Council will use the powers outlined in Section 208 of the Local Government Act 2002 (LGA) that allow a territorial authority to:

- Withhold a certificate under Section 224(c) of the RMA 1991 – land use consent.
- Prevent the commencement of a resource consent under the RMA 1991 – land use consent.
- Withhold a code compliance certificate under Section 95 of the Building Act 2004 – building consent.
- Withhold a service connection to the development, and
- Register the development contribution under the Statutory Land Charges Registration Act 1928, as a charge on the title of the land in respect of which the development contribution was required.

## WHAT CAN YOU DO IF YOU THINK THE DC AMOUNT IS INCORRECTLY ASSESSED?

Developers have the right to request a reconsideration of the Council assessment. As set out in Section 199A(1) of the Local Government Act 2002, any person required by Council to make a development contribution may request a reconsideration of the requirement. Any such request must be made in writing within 10 working days after the date on which the person lodging the request for reconsideration received notice from the Council of the level of the development contribution Council requires. The reconsideration will be undertaken by a different staff member than that who made the original assessment.

Applicants can also seek external reviews if they do not agree with the final assessment of charges. The Local Government Act 2002 provides an objection process that is considered by independent development contribution commissioners. Refer to Schedule 13A of the LGA for further details.

### WILL A DEVELOPMENT CONTRIBUTION BE REFUNDED?

Only in a few circumstances. If a Development Contribution has been paid and:

- the resource or building consent does not proceed or
- if the Council does not provide the Community Infrastructure or Network Infrastructure for which the Development Contribution was required,

Then, in accordance with section 209 of the Local Government Act 2002, a refund of the Development Contribution will be paid less any costs incurred by Council.

### HOW OFTEN ARE THE DEVELOPMENT CONTRIBUTION POLICY AND CHARGES REVIEWED?

The Council will annually review the DC charges and can adjust them in line with the Producer Price Index Outputs Construction index. The Policy itself will be fully reviewed at least every three years as part of the Long Term Plan process.

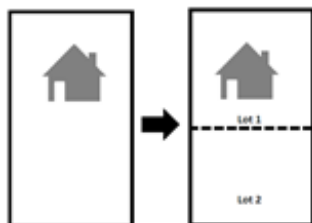
### EXAMPLES - One unit of Demand = a Household Unit Equivalent (HUE)

#### Example 1 - Residential Subdivision

**Proposal:** Subdividing an existing residential section to create an additional lot (Lot 2) located within the Rotorua Urban Area (Western). The new site is connecting to council services.

**Assessment:** One HUE for all activities for the additional lot created.

Activity	Number of extra HUE's being created by the proposal	Charge per HUE (\$) (GST Inclusive)	Total Cost of the proposal (GST Inclusive)
Water	1	\$2,231	\$2,231
Wastewater	1	\$1,746	\$1,746
Stormwater	1	\$8,282	\$8,282
<b>Total DC charges</b>		<b>\$12,259</b>	<b>\$12,259</b>

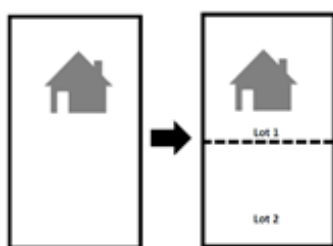


### Example 2 - Residential Subdivision - Ngongotahā

**Proposal:** Subdividing an existing residential section to create an additional lot (Lot 2) located within the Rotorua Urban Area (Ngongotahā). The new site is connecting to council services.

**Assessment:** One HUE for all activities for the additional lot created.



Activity	Number of extra HUE's being created by the proposal	Charge per HUE (\$) (GST Inclusive)	Total Cost of the proposal (GST Inclusive)
Water	1	\$2,231	\$2,231
Wastewater	1	\$1,746	\$1,746
Stormwater	Nil	Nil	Nil
<b>Total DC charges</b>		<b>\$3,977</b>	<b>\$3,977</b>



### Example 3 - Multiple lot Residential Subdivision

**Proposal:** a proposed residential subdivision as shown below. The proposed subdivision is from an original residential lot size of 3,000 m<sup>2</sup> that is located within the Rotorua Urban Area (Central). The proposed subdivision will result in the creation of four new additional allotments each consisting of variable areas of up to 800 m<sup>2</sup>. The Development Contribution will be worked out in relation to the new units of demand created (four HUE) that will contain a total area of 2,400 m<sup>2</sup>.

Activity	Number of extra HUE's being created by the proposal	Charge per HUE (\$) (GST Inclusive)	Total Cost of the proposal (GST Inclusive)
Water	4	\$2,231	\$8,924
Wastewater	4	1,746	\$6,984
Stormwater	4	Nil	Nil
<b>Total DC charges</b>		<b>\$3,977</b>	<b>\$15,908</b>

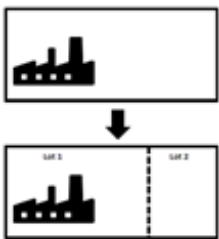
Original Lot Size	Proposed New Allotments for Original Lot				
3,000 m <sup>2</sup>	600m <sup>2</sup>	800 m <sup>2</sup>	600 m <sup>2</sup>	500 m <sup>2</sup>	500 m <sup>2</sup>
	 Remaining Lot	Four proposed new allotments			

#### Example 4 - Non-Residential Subdivision

**Proposal:** Subdividing to create one additional industrial vacant non - residential lot in the Rotorua Urban Area (Western) where the final new use for the lot is not known. The new site will be serviced by council services.

**Assessment:** One set of contributions for the additional vacant lot created.

Activity	Number of extra HUE's being created by the proposal	Charge per HUE (\$) (GST Inclusive)	Total Cost of the proposal (GST Inclusive)
Water	1	\$2,231	\$2,231
Wastewater	1	\$1,746	\$1,746
Stormwater	1	\$8,282	\$8,282
<b>Total DC charges</b>		<b>\$12,259</b>	<b>\$12,259</b>



**Note:** when an application for a building consent is lodged in the future an additional assessment for DCs will be carried out based on the gross floor area of the development and the intended use of the building.

#### Example 5 - Develop one Non-Residential building on an existing commercial property

**Proposal:** Erect a 1,000m<sup>2</sup> single storey Commercial Building located in the Rotorua Urban Area (Eastern B) catchment. The building is in addition to existing buildings on site and is connected to council services. Creates an additional Impervious Service Area of 2,000m<sup>2</sup> including carparks. The number of HUEs is worked out by dividing the building gross floor area (GFA) by 100, then multiplying this by the HUE ratio for the appropriate non-residential type of development. For stormwater the area of roof and impervious surface area (ISA) is used.

Activity	HUE's per 100m <sup>2</sup> GFA or ISA	Gross floor area (GFA) or Impervious Surface Area (ISA)	Number of extra HUE's being created by the proposal	Charge per HUE (\$) (GST Inclusive)	Total Cost of the proposal (GST Inclusive)
Water	0.30	1000	3	\$2,231	\$6,693
Wastewater	0.30	1000	3	\$1,746	\$5,238
Stormwater	0.28	2000	5.6	\$6,253	\$35,016.80
<b>Total DC charges</b>				<b>\$3,977</b>	<b>\$46,947.80</b>

#### FURTHER INFORMATION AND DISCLAIMER

This FAQ Sheet is intended as a guide only and has been prepared to provide general information on Development Contributions, what they are, why they are required and how they are calculated. Please consult the current DCP (2022) for more detailed information.

The policy is available in full in hard copy form from the council customer centre as well as via the Rotorua Lakes Council website.

For further assistance on the policy and how it applies to your development please contact Rotorua Lakes Council.

*This publication is intended to provide only an overview of the Development Contributions in the Rotorua District and is necessarily brief and general in nature. Rotorua Lakes Council has made every reasonable effort to provide accurate information in this publication. However the Council does not present this information as advice and does not accept responsibility for actions based on reading it.*