Research Report

Financial Contributions

1 Purpose

To describe and discuss the key issues and opportunities of the Far North District Council (**Council**) having the ability to charge financial contributions.

2 Context and Situation

2.1 Background

Development, subdivision, and use of land creates demand for additional infrastructure such as for water supply, wastewater, and stormwater disposal, roading, open spaces and community facilities, and can create other adverse effects on the environment[1]. For the Far North district these costs are primarily met from rates revenue, which puts the costs onto the community.

Impacts and issues for the Far North District from increased demand include:

- Creating strain on aging three waters infrastructure and assets which:
  - are prone to failure and breakage,
  - cannot meet existing demand,
  - has no, or very limited, capacity for future demand, and/or
  - already has issues complying with existing resource consents.
- Increased use of local roads causing:
  - traffic congestion,
  - more requests for repairs and road sealing, and/or
  - increased costs associated with maintenance needs for roads.
- Lack of sufficient open space, recreational or community facilities.

In this report unless stated otherwise:

- The use of the term 'development' also includes the subdivision and use of land.
- The use of the term 'developer' means the person or entity which undertakes any development.

2.2 Options to meet costs associated with impacts from development

Outside of rates or central government funding, funding options include collecting development contributions under the Local Government Act 2002 (**LGA**) and/or financial contributions under the Resource Management Act 1991 (**RMA**). Currently:

- the Council's Development Contributions Policy is that it does not collect development contributions. Further progress on a new Development Contributions Policy requires additional growth data,

[1] Environment is broadly defined to include ecosystems, people and communities, natural and physical resources (*Resource Management Act 1991* (**RMA**), s.2).

- the Council can collect very limited financial contributions through its operative District Plan under Chapter 14. This ability will cease once the Proposed District Plan (**PDP**) becomes operative, and
- the PDP, which is to replace the operative District Plan, does not include any ability for the Council to collect financial contributions.

Further detail about funding methods is in section 5 below.

2.3 Council's role

Council provides and maintains local infrastructure: Council has a significant role in developing, maintaining, and operating local infrastructure such as roads, three waters infrastructure[2], and for local parks and recreation facilities including community facilities.

Council grants resource consents: Council as the regulator grants resource consents. Resource consent can be issued subject to conditions[3], which can include the requirement for financial contributions[4].

Local Government Act functions: Seeking financial contributions from developers to offset or compensate for the effects on the environment can support the purpose of local government and the wellbeing of communities.

3 Objectives and scope of the report

3.1 Purpose of research and objectives

The purpose of the research undertaken, and this report, is to inform a decision on whether to proceed with preparing a chapter and other necessary provisions to include financial contributions in a District Plan.

The research objectives are to cover:

- the impacts and adverse effects which arise from development for the Far North District,
- options to meet the costs associated with these and current methods in place for the Council,
- the legislative framework required to charge financial contributions
- how financial contributions can be calculated,
- approaches taken by other councils,
- potential impact charging financial contributions would have on development in the Far North District,
- potential impacts for Māori, and
- implementation considerations.

3.2 Structure of this report

This report covers:

Section 4	Relevant legislation about financial contributions, and how they compare to development contributions.
Section 5	What impacts from development are there for the Far North District and possible ways to fund the costs to address them.
Section 6	How financial contributions are used by other councils including methods to calculate them.
Section 7	Potential impact on Māori and development.
Section 8	Alignment and effects on other Council policies.

[2] As a result of central government's announcement to repeal the Three Waters legislation including the *Water Services Entities Act 2022*.

[3] RMA, s.108.

[4] Provided there are rules in the district plan about financial contributions.

Section 9	How financial contributions could be implemented in practice, potential amounts, and timelines.
Section 10	Conclusions, risks, and benefits.

3.3 In scope

The project will review and complete an initial analysis on:

- Infrastructure needs due to development in the district.
- The impacts from urban development/subdivision on local infrastructure (such as pressure on local open spaces) and how funding of infrastructure (as allowed for by financial contributions) can mitigate these impacts.
- Funding options and purposes Council could collect financial contributions for.
- Potential impact on development.

3.4 Out of scope

- Research and data to support a development contributions policy. However, information collected from that has been considered to help inform this report where relevant.
- Analysis of all funding types.
- A full evaluation and analysis of each of the methods, which would be required as part of preparing the draft chapter on financial contributions and public notification.[5]
- Full research and summary on additional policies required to support Council collecting financial contributions, such as any financial contribution policy.

4 Relevant Legislation

4.1 Resource Management Act 1991

The RMA[6] allows councils to require developers to make financial contributions as a condition of a resource consent. Financial contributions mean a contribution of:[7]

- money; or
- land, including an esplanade reserve or esplanade strip (other than in relation to a subdivision consent), but excluding whenua Māori unless the *Te Ture Whenua Māori Act 1993* says otherwise; or
- a combination of money and land.

A local authority can make rules in a district plan about financial contributions for any class[8] of activity apart from prohibited activities.[9] The rules must specify the purpose it is required for, how the amount will be calculated, and when it will be paid.

Resource consents can include financial contributions as a condition of consent provided that:[10]

- the condition is imposed in accordance with the purposes specified in the plan or proposed plan, and
- the level of contribution is determined in the manner described in the plan or proposed plan.

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[5] Prepared under s.32 of the RMA.

[6] As a result of the repeal of the Natural and Built Environment Act 2023 on 24 December 2023, the RMA continues to apply.

[7] RMA, s.108(9). It is noted that financial contributions were to be phased out from 2017 pursuant to the *Resource Legislation Amendment Act 2017*, with collection to end by April 2022. However, the *Resource Management Amendment Act 2020* reversed this, and financial contributions can be included as a condition of consent provided the requirements of the RMA are met.

[8] For example, for permitted, controlled, restricted discretionary, discretionary, and non-complying activities.

[9] RMA, s.77E.

[10] RMA, s.108(2)(a) and s.108(10).

Financial contributions can cover wide range of matters but must give effect to the purpose of the RMA

Financial contributions do not need to be linked to growth but must fit the purpose of the RMA to achieve sustainable management of the environment. The RMA specifically refers to one of the purposes to be *ensuring positive effects on the environment to offset any adverse effect*[11].

Financial contributions generally address the direct impacts of a particular development with the purpose to help pay for measures that will avoid, remedy, or mitigate adverse effects on the environment, or offset/compensate adverse effects in some other way.

There is considerable variation in how other councils have applied this. Some examples of the types or purposes include for:

- Meeting the additional demand placed on a district's assets (i.e. parks, open spaces, facilities) such as by:
  - creating, adding capacity to, or otherwise enhancing open spaces (including recreation areas, visual buffers, amenity areas),
  - giving public access to coastal areas, reserves, bush areas, or areas of special character, and/or
  - providing new, or upgrading existing, community amenities (such as libraries, community halls, leisure facilities, public toilets).
- Providing safe and convenient movement of vehicles (including bicycles) and pedestrians along roads affected by development such as by providing new, or upgrading existing, roading or transportation infrastructure.
- Maintaining sustainable and efficient infrastructure that meets the additional demands created by the development such as by providing new, or upgrading existing, water infrastructure (water supply, wastewater, stormwater).
- Protecting or enhancing amenities, habitats, ecosystems, landscape features and archaeological heritage or cultural values.
- Avoiding, remedying, or mitigating land use activity or subdivision/development impacts on sensitive parts of the natural and physical environment such as the requirement to plant tree canopies where there is a loss of trees as part of a development to address biodiversity loss and climate change issues.

4.2 Local Government Act 2002

Purpose of Local Government

Providing infrastructure (including three waters and roading), open spaces and community facilities plays an important part to the liveability and wellbeing of communities and contributes to the purpose of local government.

Financial and Development Contribution Policies

The Council must have a policy on development and financial contributions[12] which complies with the requirements of section 106 of the LGA.[13]

The LGA also sets out requirements for development contributions policies, which are outside the scope of this report. Development contributions can only be used for capital expenditure to address growth needs.[14] Evidence of growth is required. The Department of Internal Affairs, in its guide on development

[11] RMA, s.77E(2).
[12] *Local Government Act 2002* (**LGA**), s.102.
[13] As at the time of this report, financial contributions are referred to as *environmental contributions* in the LGA due to the Natural and Built Environment Act 2023 (now repealed).
[14] LGA, s.204.

contributions provides a comparison of financial and development contributions, which is reproduced as Table 1 below.[15]

Table 1 – Differences between development contributions and financial contributions

Development Contributions	**Financial Contributions**
Operate under the Local Government Act 2002	Operate under the Resource Management Act 1991
Can only be used by territorial authorities (including unitary authorities)	Can be used by territorial authorities and regional councils
Fully integrated with growth, asset management and financial planning	No required integration with asset management or financial planning
Imposed based on share of fiscal effect of growth for a development (past or planned capital expenditure related to growth, also allowing for cumulative effects)	Imposed based on the environmental effects of a development (allowing for cumulative effects). The environmental effects need not be related to growth
Imposed through a requirement to pay upon granting of a resource consent, building consent (or certificate of acceptance), or authorisation to connect to a service - but not a condition of the consent or authorisation	Imposed as a condition of resource consent or designation
Cannot be charged to the Crown	Able to be charged to the Crown, except for the Ministry of Education or the Ministry of Defence
Must be documented in the council's DCP	Must be in the District Plan or Regional Plan – and be summarised in the council's DCP
Objection process: • Judicial review (policy adoption) • Reconsiderations, objections, and judicial review (policy application)	Objection process: • Appeals (plan adoption) • Objections and appeals (plan application)

5 What are the impacts from development that financial contributions could address?

5.1 How impacts were identified

Financial contributions are intended to address the impacts from a development and help pay for measures that will avoid, remedy, or mitigate adverse effects on the environment or offset the adverse effects in some other way. For this report, identification of these impacts has been from:

- discussions with staff (including from infrastructure, roading, resource consents, planning and finance),
- a desktop review of Council policies, existing research and reports, including work completed or underway by the Council as part of the long-term plan, development contributions, spatial plans, district plan, open space and community facilities strategies, and
- limited discussions with persons and entities involved in development.

5.2 Population growth projections

As populations grow and more development occurs, demand for services and infrastructure needs, and expectations, increases. The population in the Far North District is growing. As of 2023, the estimated resident population was 74,700 (based on Infometrics 2023 estimates). This is a 1.4% increase from the year earlier (2022).

[15] *Guide to developing and operating development contributions policies under the Local Government Act 2020*, Department of Internal Affairs, pp. 20-21. Available from https://www.dia.govt.nz/diawebsite.nsf/Files/Development-contributions-policies-guide/$file/Development-contributions-policies-guide-v2.pdf (accessed 15 January 2024).

Population growth data from Infometrics provides for the projected population level, based on a medium growth scenario to steadily increase and peak around 83,000 in 2050 as shown in Graph 1 below.[16]

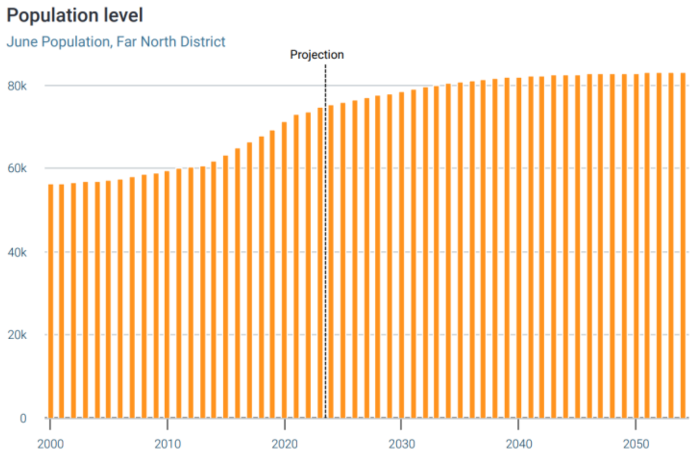

Figure 1 - Infometrics Graph, Population Level, Medium Growth Scenario, accessed 8 Jan 2024

Most of the population increase is in urban areas located throughout the district, with significant growth occurring in and around Kerikeri as shown in Graph 2 below.[17] There are also communities with non-growth / declining populations.

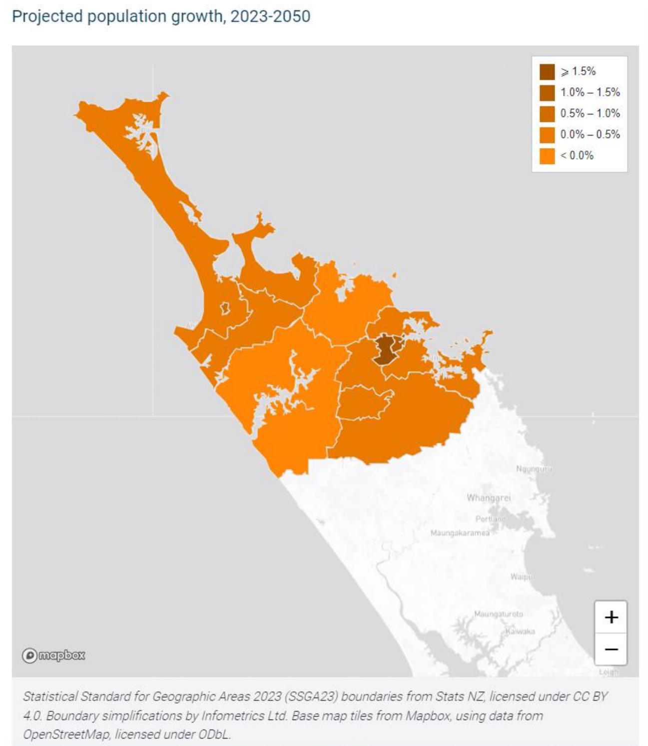

Figure 2 – Infometrics, projected population grown (medium) 2023-2050

The number of new lots consented from the between 2018 to 2023 indicates an upward trend as shown in Figure 3 below[18].

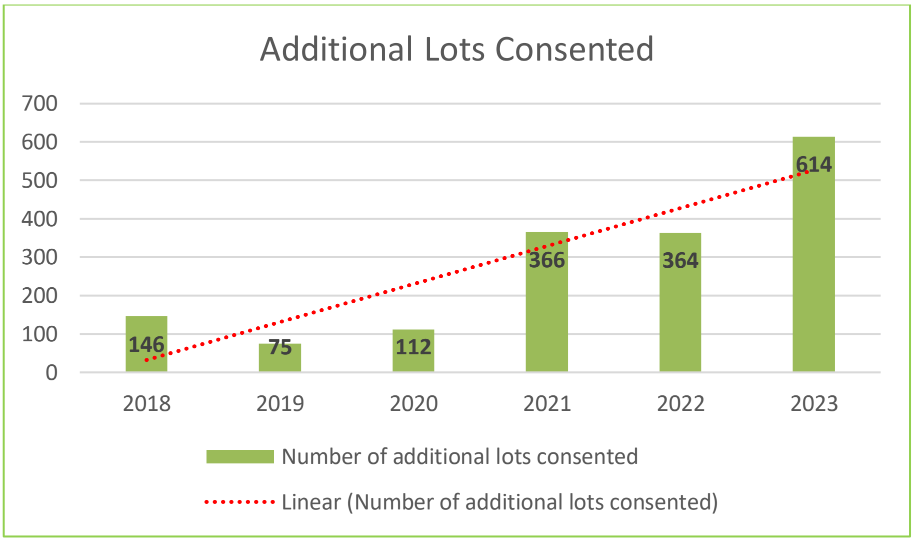

Figure 3 - Graph additional lots created based on resource consent data – year ending 30 June

As one lot can have more than one dwelling or unit on it, the below is a summary of the number of new dwellings consented, which includes apartments, retirement village units, townhouses, flats, and units. [19] The below data is to year ending September. While there were less new dwellings consented in 2023 compared to the previous two years, there is still an upward trend of new dwellings being consented.

Figure 4 - new dwellings consented - year ending 30 September

[16] Obtained from: https://population.infometrics.co.nz/far-north-district/population-growth?compare=new-zealand
[17] Obtained from https://population.infometrics.co.nz/far-north-district/growth-areas
[18] Based on raw resource consent data and number of new lots consented. This does not mean these are the number of new lots created each year as the consents may not be implemented immediately.
[19] *Building Consents Issued: September* 20232, Stats NZ, access from https://www.stats.govt.nz/information-releases/building-consents-issued-september-2023/ (accessed on 15 January 2024).

5.3 Summary of impacts and arising issues

The following sorts of impacts and issues arising from development are identified as:

- Increased housing numbers and more developments are leading to additional strain on existing infrastructure.
- Development is not evenly spread but more concentrated on the east coast.
- Demand and issues arise not just from large scale developments, but also from the cumulative effect of multiple smaller developments occurring in the same area.
- Existing infrastructure does not have enough capacity for new connections to be made.
- Existing developments have occurred in places where there is a lack of suitable infrastructure meaning future developments face constraints (i.e. no wastewater infrastructure).
- Some communities do not have enough parks or open spaces for the population, or the ones that are there are not in the right place.
- Increased road use leading to more traffic congestion, safety issues, and wear and tear on roads.
- As more assets are vested in the council from development, this puts more costs on the council to maintain and repair them. The additional rates from new lots created does not meet the additional maintenance and repair costs.
- Expectations from communities for higher levels of service.
- Insufficient social infrastructure. Increased demand on this social infrastructure (such as schools) can also have a flow on impacts such as:
    - on road congestion surrounding schools where the school roll increases, and
    - on infrastructure requirements where new schools are needed.

These impacts can adversely affect the environment due to:

- Existing infrastructure not meeting demand or is not suitable,
- in the case of stormwater, create risks to communities and the environment from flooding, erosion, and pollution,
- in the case of wastewater, create risks to communities and the environment from pollution, and
- in the case of water supply be a health risk to communities, or safety issue if water supply and flow rates are not sufficient for firefighting purposes.
- Increasing use means existing communities may end up with reduced or insufficient levels of service, such as access to open spaces or have reduced mobility with increased use of local roads,

5.4 Infrastructure capacity and challenges

Long-Term Plan 2021-2031 identified issues with infrastructure for the Far North

The Long-Term Plan (**LTP**) provides that:

- infrastructure such as three waters and roading is the platform on which community wellbeing is built,
- managing these assets is a significant challenge with some assets facing compliance issues due to age and demand, and
- rates increases above inflation would be required every year to meet the rising costs of providing infrastructure, and that it was not possible to maintain current levels of service without significant capital and operating expenditure.

The LTP also identified the need to provide an appropriate range of active and passive recreation and leisure opportunities such as playgrounds and reserves as part of Council's vision of 'Creating Great Places'.

Three waters infrastructure

With the anticipated repeal of the three waters legislation[20] water infrastructure and services remain in the control of local government. Central government have indicated it will introduce new legislation about three waters in February 2024. Based on policies communicated prior to the 2023 election, it is anticipated this will follow the *Local Water Done Well Plan*[21] which provides for:

- drinking water, stormwater, and wastewater to remain in local control,
- requirements for strict water quality standards, and
- requirements for councils to invest in the ongoing maintenance and replace of vital water infrastructure.

As a result, three waters infrastructure is considered as part of this report. It is noted that work on growth data for three waters infrastructure to support a Development Contributions Policy in some areas experiencing growth has been completed. If this infrastructure is to be funded from development contributions, then financial contributions cannot be collected for the same purpose[22].

Issues with three waters infrastructure includes aging infrastructure and assets which:

- are prone to failure and breakage,
- cannot meet existing demand,
- has no, or very limited, capacity for future demand, and/or
- does not comply with existing resource consents.

The Council has 17 wastewater plants and 9 water treatment plants which is one of the highest numbers of installations per population nationwide. The high number and their geographic spread means maintenance and upgrading work is less efficient and costs more.

Even with targeted rates based on the scheme, for smaller communities the funds received from targeted rates are needed to meet ongoing maintenance and works to meet new standards and there is not enough available funding to complete upgrades to accommodate more demand.

Roading network

Roading is critical to the Far North with the management of roading being a core function of Council. Relevant issues for roading include:

- The main towns in the Far North, apart from Kerikeri, are accessed from the State Highway network which is owned and operated by NZTA/Waka Kotahi.
- The District has a road network of 2,509km long, of which 1,598km (64%) is unsealed.
- Council owns and manages approximately $1.9 billion[23] of transport assets including the Hokianga Ferry.
- The roading network includes approximately 480 one lane bridges.
- Some bridges are not fit for use by larger vehicles.

While roading for the Far North district receives a high level of funding from central government, that funding in this current Long-Term Plan cycle is required for repairs for the storm damaged roading network.

The main impact from development on the roading network is an increased number of vehicle movements. This leads to issues such as:

- traffic congestion,
- traffic safety issues with roading or intersection upgrades needed,

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[20] As announced on 14 December 2023 – see https://www.beehive.govt.nz/release/government-repeal-three-waters-legislation#:~:text=%E2%80%9CThe%20Bill%20will%20also%20disestablish,in%20setting%20up%20this%20body.

[21] Refer to: https://www.national.org.nz/local_water_done_well#:~:text=It%20will%20ensure%20that%20drinking,of%20their%20vital%20water%20infrastructure (accessed 15 January 2024).

[22] LGA, s.200.

[23] Replacement value as at June 2023.

- more wear and tear on roads leading to increased requests for service and maintenance requirements, and
- higher use of unsealed roads leading to increased dust and complaints from owners. Traffic on unsealed roads impacts nearby residents and can affect their health and homes from the dust.

When developers vest new roads in Council as part of a new development, Council is required to fund the ongoing maintenance costs for the new roading asset. Generally, where a developer builds a new road for a development of nine lots/households or more the road must be sealed, or an existing road may need to be sealed. Council is required to complete a 'second-coat' seal of that new road/new seal within 2 – 3 years which is paid for by the Council and not from any central government funding. The additional rates received from any new development is not enough to meet the ongoing maintenance costs or the costs of the second seal.

Open spaces, recreation, and community facilities

Open spaces cover a wide variety of parks and recreation areas. Open spaces contribute to community wellbeing and may be enjoyed by locals and visitors alike.

The development, protection and growth of open spaces, and improvements to the quality of these, is increasingly important. Open spaces also:

- are key contributors to cultural, ecological, environmental and amenity values,
- provide connectivity and pedestrian/shared path transport networks, and
- provide ecological corridors and networks.

Initial research undertaken for the development of the Open Spaces Strategy indicates that a number of towns in the Far North do not have enough open spaces for the community due to:

- insufficient space being available,
- a lack of suitable playground equipment, and/or
- poorly located (i.e. children need to cross a busy road to get there from residential areas, park located in unsuitable areas or with limited access).

Population growth, residential intensification, changes in community expectations and needs, competing uses for spaces, and economic and tourism opportunities all affect open spaces. With residential intensification, including subdivision of large productive land holdings, there are fewer larger sections and vacant land that provide for local recreation areas.

Recreation and community facilities include:

- halls,
- facilities like sports grounds and courts,
- playgrounds,
- public toilets,
- cemeteries, and
- libraries.

Based on an inventory completed in 2021 as part of the Far North Places and Spaces Plan, there was:

- approximately 145+ play, active recreation and sport sites across the district in a mixture of Council, crown (such as school) and private ownership.,
- 23 council owned playgrounds, and
- 24 community halls of which 19 are owned by Council.

In addition, there are:

- 6 libraries and one mobile library,
- 11 council-maintained cemeteries, and
- 70 public toilets.

Community facilities contribute to the wellbeing of communities by providing for recreational and social opportunities, opportunities for learning and economic development, attract visitors and provide for community needs. Of the facilities in the Far North District, some are fit for purpose and meet the existing needs of the community. Some of them are not and require substantial investment to refurbish or renew to make them fit for purpose. Work ongoing for a Community Facilities Strategy will cover this further.

An increase in the number of residents and visitors to the area can create additional demand on these facilities. This can mean existing users have less access to these facilities.

Climate change creates additional challenges

Climate change and resilience for infrastructure is an identified concern. Investment is needed to ensure not only that assets can meet the necessary levels of service for existing and future communities, but also to be resilient to disruption including from natural hazards and climate change related issues such as severe weather events.

Upgrades made to stormwater infrastructure take into account climate change issues with greater capacities being built into the system however this increases the cost. More demand on these from development further increases cost.

Climate change and sea level rise may also mean that open spaces and community facilities located in at risk areas are not suitable for use by communities, or significant upgrades are needed to make them suitable. This may reduce the amount of open space or community facilities available, or renewals and upgrades to meet demand from development would need to take these risks into account.

5.5 Methods available to address impacts and issues

The following table sets out possible options (apart from central government funding) to fund infrastructure and address issues which arise from development, and the current approach of the Council for each of those options.

Table 2 - Funding Options

Option	Council's use/approach
Targeted rates based on areas of benefit/ catchment.	Targeted rates are currently used for water infrastructure schemes based on the area of benefit.
Funding from development contributions.	Not collected.
Funding from financial contributions.	Currently limited to the following circumstances:[24] - To provide for esplanade reserves, esplanade strips and access strips, collectively known as esplanade areas, upon subdivision. - For the costs of providing non-residential car parking (where that is not provided by the developer) to service the proposed subdivision or activity. Over the last five years, the Council has received land for esplanade reserves but has not received funds through this process. The PDP does not include these provisions, and once the PDP is operative there are no provisions which allow for financial contributions to be charged.
The provision of land from developers for public use – this can be through the creation and vesting of roads or reserves.	Currently occurs as part of the resource consent process.
Development Agreements	Currently occurs as part of the resource consent process.

[24] Chapter 14 of the operative District Plan. Accessed from https://www.fndc.govt.nz/files/assets/public/v/1/objectivedocuments/policy-and-planning-pol/district-plan/operative-plan-2009/14-financial-contributions.pdf

Of the above, targeted rates, development and financial contributions all involve legal frameworks to be set up to enable them to be charged. Having those frameworks also provides methods of enforcement.

Providing land can also be a financial contribution[25]. It may also form part of conditions of a resource consent for other reasons (such as the need for the developer to build roads which service the development internally and those roads become vested in council).

Development agreements are voluntary, customised arrangements and need to be negotiated between a developer and Council. More details about development agreements are below.

A council can use all or some of the above methods to fund infrastructure needs. Having one method does not mean that a council cannot also use another. It is important however that development and financial contributions are not required from the same development for the same purpose, and any policy and methodology to calculate contributions needs to make this clear.[26] Financial contributions should also not be collected for the same where a developer is undertaking works for the development (such as upgrading a road), unless they are being collected for a different purpose.

5.5.1 Development Agreements

Development agreements have been identified as an option for council to fund infrastructure needs, particularly for large developments. Although Council has entered into a few development agreements for large developments in the district within the last five years, they are not common and are more used for large scale developments.

Development agreements provide:

- the ability to negotiate issues wider than just financial contributions,
- may be more flexible than imposing financial contributions, and
- a more tailored approach by both the developer and the Council regarding demand created from the development and options to address adverse effects.

The Council having the ability to collect financial contributions <u>does not</u> exclude the use of development agreements. As part of drafting a chapter on financial contributions and/or policy, considerations can be given to circumstances where a development agreement is entered into and whether discretions would apply about how financial contributions would be charged. Where a District Plan provides guidelines to assess a financial contribution, the council may have discretion to reduce the contribution in appropriate developments.[27] A policy as to when or where the Council would enter into a development agreement and what they would cover would also assist, however that is out of scope for this report.

Based on feedback from staff, development agreements are resource intensive and require:

- Council to have staff and/or resources with the necessary authority and skill set to negotiate with developers,
- systems are in place to implement the terms,
- can take years to negotiate and sign off,
- may involve complex legal arrangements requiring specialist input,
- negotiations can be difficult where staff cannot justify the amounts sought or its position, and
- there can be a point where it may become uneconomic to continue to negotiate due to the resources needed.

Development agreements are a voluntary process for both parties and may be more effective for medium/large scale development including multi-unit and commercial or mixed-use developments where there is the need for specific infrastructure upgrades, or for developments where resource consent

[25] Such as land provided for an esplanade reserve.
[26] LGA, s.200(1)(a).
[27] While caselaw has found that there can be an element of discretion in a financial contribution policy, the regime should not be so overly discretionary that it removes certainty and increases the prospect of legal risk.

conditions need to be negotiated. They may be unsuitable and not cost effective for situations where the development consists of 1 or 2 new lots or in-fill type development.

Council having the ability to charge financial contributions creates a default position, and may entice more developers to instead seek to negotiate development agreements. Provisions requiring financial contributions and the amounts may also assist development agreements with providing a basis for negotiations.

6 Use of Financial Contributions by Other Councils

6.1 Nationwide

The majority of district, city and unitary councils can collect some form of contributions, with 70 (90%) of them having the ability to charge financial contributions in their district plan. Table 3 below provides a summary of these as at September 2023.

Table 3- Numbers of councils which collect financial and/or development contributions

Councils that can collect both Development Contributions and Financial Contributions	41*
Councils that can collect Development Contributions only	4
Councils that can collect Financial Contributions only	19 **
Councils that cannot collect any Development or Financial Contributions	3

* includes Whangarei District Council and Kaipara District Council

** includes Far North District Council

Of the councils which collect financial contributions, the assets covered by financial contributions is broken down as shown in Table 4 below (both number and as percentage of all councils which have financial contributions in their district plan):

Table 4 - Asset types

Asset Type/Purpose	**Number**	**%**
Roading/parking	47	67%
Water Supply	40	57%
Wastewater	40	57%
Stormwater	38	54%
Reserves	36	51%
Community Facilities	17	24%
Ecological/heritage	16	23%

A detailed summary was prepared by MorrisonLow in September 2023 which sets out which council charges financial contributions for what sort of asset. A copy of that summary is reproduced in Schedule 1.

6.2 How financial contributions can be calculated

Methods to calculating financial contributions vary across New Zealand and any approach needs to be one which fits the Far North. The approach to set the level should be transparent, certain, and meet the purpose of the RMA. Approaches taken to calculate financial contributions by other councils include:

- A fixed amount per new unit or lot, where each new unit or lot created is charged a fixed amount.
- A fixed amount per hectare of land which is subject to the development.
- An amount based on value of the new lot or unit created.
- An amount based on the value of the assets and number of new lots or units created.
- A cost recovery model where the amount is calculated as:
  - an amount equal to the value of the new services within the development area.
  - an amount equal to the value of connecting services within the development area.
  - the cost of the full value of upgrading or enhancing the affected infrastructure network.

  This approach could also be based on the capital expenditure required, plus interest and an allowance for inflationary factors, less an estimate for the rates that would be paid by the creation of the new rating units.

- Through a development impact assessment which requires a detailed impact assessment to estimate the specific demands created by the development and determine the costs.

The above approaches may also apply different amounts or approaches to calculation of financial contributions by considering factors like the:

- location such as either ward or catchment based, or based on zoning or land use classifications, and/or
- type of development – residential, commercial, etc.

This type of approach recognises that adverse effects are different based on different types and locations of development.

A mixture of the above approaches can be used, with different methods of calculation used for different infrastructure or impacts caused by the development.

Schedule 2 covers off advantages and disadvantages of the above approaches.

6.3 Provision of land

The RMA allows financial contributions to also be by way of the provision of land. This is most common where the council receives land for reserves or open spaces. This is in addition to existing instances where developers are required to vest land in the Council such as for an esplanade reserve.

Where the council receives land, the following must be considered:

- whether it is suitable and fit for its intended purpose,
- its location, and
- whether it would create a financial burden due to ongoing maintenance needs.

Council does not have an open spaces strategy although work on that is currently occurring. As part of that strategy those parameters could be developed and could cover the necessary considerations about where, if land was to form part of the financial contribution, what criteria it would need to meet.

6.4 Financial contributions in lieu of developers doing the work

Financial contributions are often used for existing infrastructure directly associated or impacted by a new development. Developers will usually provide local infrastructure (such as roads) within a new development and the assets then vest with Council once it is completed to the required standard.

However, in situations such as:

- where there are multiple developments which may use or benefit from the work to upgrade, and/or
- where it is not fair or practical for one developer to provide local infrastructure ahead of others which may end up using it for their developments,

it may be best for Council to complete this local infrastructure and charge financial contributions to recover its costs.

Where financial contributions are imposed instead of a condition for a developer to do the work, the method used to calculate that would need to ensure costs are recovered from the work undertaken by Council.

6.5 Examples of approaches taken by other councils

The below is a summary of the approaches taken by the councils.

Northland Regional Council

The ability to collect financial contributions is in its 2016 Regional Plans but not in its Proposed Regional Plan (as of October 2023).

The Regional Policy Statement for Northland 2016 (updated 2018) which provides broad direction and framework for managing the region's natural and physical resources refers to the use of financial or development contributions in circumstances such as:

- To provide an environmental benefit or public benefit from activities arising from private use of the common marine and coastal area.
- Through the purchase of land which has outstanding natural features, landscapes, character and/or heritage values.
- To promote sustainability measures such as the efficient uses of water, energy, reduction in waste by providing rebates.

Whangarei District Council

Has the ability to collect financial contributions to ensure the person carrying out the activity meets the costs associated with addressing adverse effects arising from it, and uses them to provide additional capacity and meet the need for services and infrastructure within the district arising from the activity including for the:

- road network,
- water supply,
- wastewater,
- stormwater, and
- provision and development of reserves and community facilities.

Whangarei District Council calculates the amount the developer is to pay as the lesser of the following two approaches:

- a fixed charge approach for each category, which includes some variation depending on the catchment where the activity is located, or
- a calculation undertaken taking into account the costs of infrastructure upgrade required due to the development and the number of new units which will use that infrastructure.

Whangarei District Council also collects development contributions.

Kaipara District Council

Has the ability to collect financial contributions where it does not collect development contributions. Kaipara District Council uses different methods to calculate the amount depending on the asset affected, based on:

- *Heritage*: the costs to reinstate or reestablish affected significant natural or heritage features, or to improve access and visibility.
- *Roading*: the number of additional vehicle movements generated per day taking into account the intended use of the lots and any seasonable fluctuations in traffic.
- *Reserves:* the size or value of the new lots.

- *Network facilities (sewerage, stormwater, water):* the costs associated with upgrading based on the number of additional connections needed.

South Waikato District Council

Has the ability to collect financial contributions. The amount charged is based on an approach where new subdivisions or developments are essentially buying into existing networks, and is calculated by taking into account:

- the value of the network/asset affected,
- the number of rateable units that are charged for use of that network or asset, and
- the number of new rateable units which will use that network or asset.

This is applied for:

- roading,
- water supply, wastewater, and stormwater in urban areas, and
- reserves.

A discount is then applied and reduces the level of the contribution in response to the level of development activity within its district.

South Waikato District Council also collects development contributions for water, wastewater, reserve and roading in Putāruru only.

Thames-Coromandel District Council

Primarily collects development contributions, but has the ability to collect financial contributions only for reserves and car parking. It includes options where:

- the amount to be charged is to be directly proportional to the cost of the work to remedy or mitigate the adverse effects; and/or
- is based on the cost of the land in the relevant area where a commercial or community activity in certain areas cannot meet its car parking requirements.

Western Bay of Plenty District Council

Has the ability to collect financial contributions to manage adverse effects on the community's water, wastewater, stormwater, transportation (including walkways/cycleways) and recreation and leisure infrastructure. Western Bay of Plenty District Council also collects financial contributions for the purpose of ecological protection.

The amount is calculated based on a mixture of:

- number of new lots or units created,
- per hectare of land developed,
- determining the impact on existing infrastructure generated by a typical household, and/or
- approved development programmes.

The actual dollar amount updated through the annual plan process and included in the fees and charges schedule.

Western Bay of Plenty District Council does not collect development contributions.

Timaru District Council

The proposed district plan includes provision for financial contributions to fund the additional demand on its infrastructure network and its assts as a result of subdivision, land use and development, and to ensure that development contributes to the costs associated with adverse effects on the environment.

Financial contributions are collected to meet the additional needs for public infrastructure that arise from the development/subdivision/activity including for:

- roading (including streetscape improvements, shared pathways, cycleways and walkways, vehicle parking, EV charging spaces, service lanes),
- utilities such as water supply, wastewater, stormwater),
- parks, reserves and open spaces, recreation facilities, community facilities and/or
- planting of indigenous vegetation.

Financial contribution amounts are set based on the sort of network or asset by using either:

- a cost recovery model for water, stormwater, wastewater and roading assets; or
- based on the value of a new lot for open space and recreation assets.

Timaru District Council does not collect development contributions.

Kāpiti Coast District Council

Financial contributions are only required by Kapiti Coast District Council where the provisions of their development contributions policy do not apply, or it does not address the type of adverse effects generated by the development. It uses a fixed charge approach model by setting out the amount charged per residential unit equivalent (**RUE**), which amount is subject to an annual CPI adjustment. The number of RUEs change depending on the type of development ranging from charges being the equivalent of 0.5 RUE to 4 RUE.

7 Impacts

7.1 Consultation and engagement

Staff have not undertaken formal consultation for this report. In obtaining views and identifying potential impacts and issues, some limited consultation and engagement has occurred, along with review of additional documentation to identify potential impacts as detailed below. Further engagement and consultation will be required as part of any plan variation or plan change process.[28]

7.2 Impact on Māori and whenua Māori

Whenua Māori in the Far North

Approximately 49% of the population in the Far North District are Māori. Whenua Māori makes up approximately 17% of land in the Far North District. In addition, there is also Treaty Settlement Land (land returned to Māori ownership as part of treaty negotiations which is owned by the relevant iwi/hapū or related entity). Treaty Settlement Land and land in Māori title has been mapped as part of the PDP.

Preamble to Te Ture Whenua Māori Act 1993

The inclusion of financial contributions and financial contributions policy must support the principles to Te Ture Whenua Māori Act 1993.[29] These principles are to:

- recognise that land is a taonga tuku iho of special significance to Māori people,
- promote the retention of that land in the hands of its owners, their whānau, and their hapū, and to protect wāhi tapu, and
- facilitate the occupation, development, and utilisation of that land for the benefit of its owners, their whānau, and their hapū.

[28] For example, as part of the requirement to use the Schedule 1 RMA process for a plan variation or plan change.
[29] LGA, s102(3A).

Information reviewed

The purpose of development on whenua Māori is often for long term inter-generational whanau benefit rather than for profit. In considering potential impacts to Māori, the following was considered:

- Iwi and hapū management plans for iwi and hapū in the Far North. A full list of the plans reviewed is in Schedule 3.
- Auditor-General report from 2011 Government planning and support for housing on Maori Land[30].
- Approaches taken by other councils for whenua Māori when collecting financial or development contributions.

The purpose of the above review is to identify high level potential impacts which may apply to Māori and whenua Māori, rather than individual iwi or hapū impacts. This review is not to be considered to be in lieu of consulting with iwi and hapū. Consultation with iwi through the Schedule 1 RMA process would be required if a plan variation or plan change was to occur.

7.2.1 Iwi and Hapū Management Plans

A review of 16 iwi and hapū management plans for iwi and hapū in the Far North. Review considered:

- Express comments on financial or development contributions. The reason for including development contributions as part of this review is the effect of imposing additional costs on development (i.e. additional costs to be paid, infrastructure) is similar for both financial and development contributions.
- Comments on infrastructure needs.
- Comments on development needs and/or aspirations.

Of those management plans which referred to development needs or aspirations, the general themes included:

- A desire for the ability to develop whenua Māori and treaty settlement land.
- Concerns about expensive housing development policies that may restrict papakainga development.
- That proper infrastructure is essential to the community and must be put in place first.
- That a limitation for Māori in developing marae and papakainga is due to a lack of sufficient infrastructure connections and services.
- Concerns that the ratepayers and future generations are bearing the financial burden for developments as developers have not paid for the full and real cost of providing infrastructure and services to new development.
- For development undertaken by Māori to not be unnecessarily constrained by bureaucracy.
- If contributions are to be paid to have a range of tools to exempt or waive payment, or reduce the amount, which may apply to iwi economic development.

7.2.2 Auditor General Report 2011 – Housing for Māori

In 2011 central government completed a report on housing for Māori. This involved interviews with owners of whenua Māori.

The authors of the report identified that development and financial contributions were an additional extra cost which could be a reason for some developments not proceeding. Concerns and frustrations from those interviews also identified that Māori were unhappy being charged these when their land was already poorly connected, and (in the context of development contributions) they are seen as a tax on developers

[30] *Government planning and support for housing on Maori Land,* Office of the Auditor-General, August 2011. Available from https://oag.parliament.nz/2011/housing-on-maori-land/docs/housing-on-maori-land.pdf (accessed on 15 January 2024).

who will make a profit from there development, which is not something Māori housing developments fall into.[31]

7.2.3 Approaches taken by other Councils to charges relating to development on whenua Māori

Some councils exempt development on whenua Māori from paying financial or development contributions or include discounts or deductions on how that council charges financial or development contributions, for example:

Western Bay of Plenty District Council*:* allows for a deduction for papakainga with a base charge based on one household equivalent for the first dwelling on the site is charged, and then there is 100% deduction for additional dwellings for applications for a maximum of 10 dwellings.[32]

Auckland Council: recognises additional costs associated with paying contributions creates an additional barrier for development on whenua Māori especially for papakainga and marae and operates a cultural initiatives fund for this. However, does not identify specific Māori development types as being exempt from paying contributions apart from not charging contributions for reserves for not-for-profit developments on whenua Māori due to much of Auckland's parkland previously being Māori land.[33]

Christchurch City Council: has a development contribution rebate scheme where certain developments on whenua Māori do not pay contributions (for residential development and non-residential development for social or cultural purposes if located in a particular zone). This was to recognise the role council believes it has to encourage owners of Māori land to retain that land and to develop it in ways that benefit its owners, their whānau, and their hapū.[34]

7.3 On development in the Far North District

7.3.1 High level impacts identified

Engagement with staff and research identified the following potential impacts on development:

- The extra cost to developers may result in a decrease in development occurring in the Far North, with smaller developments (i.e. 1 – 2 lots) most likely to disagree with having to pay additional amounts.
- Developers may pass on the increase in costs to purchasers, which may affect housing affordability.
- Unfair or unequitable situations may arise if local variation, or the type of development is not considered. For example, developments such as retirement villages where legal challenges have been raised on the basis that retirement village developments have lower numbers of residents per household and therefore impose less of a burden on council assets and infrastructure.
- Where Council does collect financial contributions, it needs to then do the work to put in the necessary infrastructure to enable or support development.
- Development may end up occurring in places where financial contributions are not collected, or the amount is less.

[31] *Government planning and support for housing on Maori Land,* Office of the Auditor-General, August 2011. Available from https://oag.parliament.nz/2011/housing-on-maori-land/docs/housing-on-maori-land.pdf (accessed on 15 January 2024) at at 5.24 (p.70).
[32] Refer to https://www.westernbay.govt.nz/property-rates-and-building/district-plan-and-resource-consents/resource-consents/common-resource-consent-planning/dwellings-on-multiple-owned (accessed 15 January 2024).
[33] Refer to https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-policies/development-contributions-policy/Documents/development-contributions-policy-2022-variation-a.pdf (accessed 15 January 2024).
[34] Refer to https://ccc.govt.nz/consents-and-licences/development-contributions/development-contributions-rebate-schemes#:~:text=This%20rebate%20scheme%20seeks%20to,of%20the%20Christchurch%20District%20Plan.&text=The%20Council's%20development%20contributions%20team,development%20qualifies%20for%20a%20rebate. (accessed 15 January 2024).

7.3.2 Feedback from developers

Some early engagement has occurred with people and entities involved in development, including in development for Māori housing, and for social housing. The purpose was to discuss at a high-level potential impacts of Council collecting financial contributions on development, and what issues and opportunities arose Workshops with developers as part of the Housing and Business Capacity Assessment occurring in February 2024 will inform any further development of the financial contribution provisions (if council choses to proceed with including financial contributions).

While developers spoken to were familiar with and understood the concept of development or financial contributions, there is an expectation that if councils were to charge them, then those funds are used to provide or upgrade infrastructure and open spaces to support development occurring. A key constraint to development was referred to as the lack of investment in necessary infrastructure.

The main potential impact identified was that charging financial contributions will increase costs and may disincentivise or hinder new developments, particularly for not-for-profit developments such as social housing or papakāinga. This is particularly due to:

- additional costs can impact development financing,
- Northland has experienced the highest construction cost inflation in the last year with over 20% increase to per m^2 building costs[35]. Transportation logistics and high interest rates also add to the increasing costs of development, and
- some towns in the Far North District already are not attracting much private market development as developers cannot make a profit – adding more costs will worsen this.

Discussions with the developers also highlighted the following which should be considered:

The amount to be paid:

- The amount should not be so high that it constrains development.
- Any other funding source received (such as central government funding) should be considered as part of whether financial contributions should be charged for the same asset.
- There is a concern it may increase costs of housing if developers were to pass on the cost.

How and when the amount is calculated and paid:

- The amount should be fair and reasonable.
- The amount to be charged should be known up front to enable the developer to work out costs.
- Payment of any contributions should be made by the developer before the development is signed off by Council[36] to stop surprises for the next purchaser.
- Given the nature and makeup of the district, a ward-based approach with different rules for different wards would be fairer.
- Caps on amounts are needed.
- For Council to have a discretion to approve exemptions and waivers (for example for whenua Māori developments, social, community and/or affordable housing, when a developer enters into a development agreement instead).

What amounts collected are used for:

- Funds received should be used for infrastructure needs directly related to the development they are collected from.
- To upgrade existing infrastructure and roading instead of building new infrastructure or roading.
- Provide for more open spaces to benefit residents who live in developments with smaller lots.
- That there is transparency for what the funds were used for.
- Funds received should be used in the areas most in need in the district.
- The priority should be for improving roads and three waters.

[35] Refer to https://www.canstar.co.nz/home-loans/how-much-to-build-a-new-house-in-nz/ (accessed 15 January 2024).
[36] For example, as part of issuing the s224(c) certification under the RMA confirming conditions of the resource consent have been complied with.

Other ways to improve infrastructure or address adverse effects from development:

- Continue to use development agreements. Financial contributions (as well as development contributions) could operate as an "and/or" with development agreements where developers may prefer to enter into development agreements with the council instead. This also provides Council with a fallback position if an agreement cannot be reached.
- For some developments, particularly larger ones, it is better for the developer to create or build the infrastructure.
- Whether more targeted rates is a better approach for long term maintenance needs for infrastructure put in for that development (i.e. for open spaces or roads built as part of the development).
- To explore more central government funding options so infrastructure to support development can be built in areas where the population is not high enough to fund it from rates.

7.3.3 PDP submissions

As the PDP did not include a chapter on financial contributions, submitters were not prompted to comment directly on this. A small number of submissions received expressly referred to the need to charge financial or development contributions and the lack of infrastructure.

8 Alignment with other Far North District Council policies

8.1 Far North 2100

Collecting financial contributions to address the impacts of development is consistent with the vision of *He Whenua Rangatira – a district of sustainable prosperity and wellbeing* from the Far North 2100.

8.2 Long-Term Plan 2021-2031

As part of the strategic response to asset management, it is to *continue to optimise the way infrastructure is funded and the way it is delivered*.[37] Further the Financing Strategy in the LTP adopted a 'user pays' policy through charging targeted rates, and consumption and user charges.

Funding from non-rates sources meets the financial strategy in the Long-Term Plan to provide infrastructure and services in a way that is affordable to the district's ratepayers.

8.3 Revenue and Financing Policy 2021

Collecting financial contributions complies with the basic principles referred to in that policy to guide the assessment of fairness and equity in choosing funding sources. It supports the approach of the Council to use any other funding sources before rates and may also help keep rates increases and borrowing to be within the limits set in the financial strategy.

It does not comply with the principle for capital expenditure to replace assets to be funded from rates in the form of unfunded depreciation, or to upgrade or build new assets to be funded through borrowing. Instead, financial contributions would provide another source of revenue for the Council. Amendments may be needed to this policy to update any changes to funding or revenue sources.

[37] Long-Term Plan 2021-2023, p. 42.

8.4 Climate Change Policy 2023

Collecting financial contributions supports the directions of policy 13 of the Climate Change Policy to be alert to emerging funding opportunities. This is in recognition of the significant financial implications of climate change adaptation and mitigation.

8.5 Where changes or new policies are needed as part of implementation

A financial contributions policy as part of the Long-Term Plan will be required. The timeframes for this should mean that this occurs as part of, or at the same time that, financial contributions start to be charged. The method to calculate financial contributions and the financial analysis and inputs to the formula or model (including values) can be updated annually through Council's Annual Plan and/or Long-Term Plan processes to reflect changes in costs and timing of planned infrastructure. Depending on the approach taken, this may mean Council will need to undertake financial analysis and annual adjustments so amounts can be included in the appropriate plans.

Amendments to financial policies such as the Revenue and Financing Policy may be required to refer to the collection and use of any amounts received.

Current work on open spaces and community facilities strategies would need to consider how Council collecting financial contributions may need to be reflected in those strategies. Where the financial contributions is to consist of land which is intended to become open space for public, then polices will need -to be in place about when that would apply and best used.

9 Implementation

9.1 How financial contributions are implemented in practice

Feedback from staff was for any method used to calculate the amount to be transparent and easy to understand. If Council collects financial contributions, implementation would require staff in resource consents, infrastructure, and financing teams to:

- Calculate and administer them. Methods of calculations which require valuations or assessments will need the necessary staff in place to review and consider the requirements.
- Include them in conditions in resource consents.
- Enforce the conditions and ensure the contribution are collected when required.
- Hold the funds as required. Financial contributions which are a cash contribution must be used by Council in reasonable accordance with the purposes of which the money was received.[38]

The more complex the calculation or work surrounding financial contributions is, the more administrative and staff time involved which needs to be considered against the benefit from collecting financial contributions.

9.2 How much could be collected by charging financial contributions

The amounts which Council could collect varies depending on the approach. By way of example -

Table 5 below is a worked example of the potential amounts[39] based on:

- A development creating 10 new SUIPs (separately used or inhabited part of a rating unit) which shows the potential cost to the developer, and

[38] RMA, s.111.

[39] This example is for illustrative purposes only. Assumptions are made that all amounts for each purpose would be charged for the development and using an SUIP approach to follow data held from rates information about the number of separately rated units. Some resource consents would not be appropriate to have financial contributions included as a condition (i.e. boundary adjustments, rural developments where no reticulated infrastructure exists and all services must be on-site).

- The totals which Council may collect on the creation of 350 new SUIPs, which figure is based on the rounded average of new dwellings built over the last six years shown in Figure 4[40]. The below does not include a cost recovery model or approach the calculation using ward/local variation.

Schedule 4 is a summary of the amounts collected by some other councils per new unit/lot/SUIP, which total amounts range from approximately $5,600 to $77,000.

Table 5 - Example of amounts based on different approaches to calculation

Approach	Possible Amount for 10 New SUIPs	Possible Amount for 350 New SUIPs
Fixed charge		
By reference to a table of fixed amounts using low end of Whangarei District Council figures	$56,000	$1,960,000
By reference to replacement value of assets, based on the number of existing SUIPs, and new SUIPs (no discount applied)	$344,350	$12,052,250
Valuation of additional lots (ranges from 4% - 7.5%[41]) using average value for Far North District property as at Sept 2023 of $679,960[42]		
At 4% of value of each new lot[43]	$271,984	$9,519,440
At 7.5% of value of each new lot	$509,970	$17,848,950
Cost recovery	Variable and depends on actual costs	Variable and depends on actual costs

Further detailed financial analysis of the options would be required as part of development and evaluation of the methods to charge financial contributions.

9.3 What happens if the activity (such as the proposed development) does not proceed?

If a resource consent which includes a condition requiring financial contribution lapses or is cancelled and the activity does not proceed, the Council must refund or return the financial contribution to the consent holder.[44]

However, if the Council has incurred costs in relation to the activity and its discontinuance, then the Council may retain a portion of the financial contribution of a value equivalent to those costs.[45]

[40] It is noted that financial contributions are a condition of resource consent and not building consent: the purpose of using an average of new dwelling numbers rather than new lots is one new lot may have more than one dwelling or separately rateable unit on it.

[41] While not directly comparable the LGA caps development contributions for reserves to 7.5% of property value – see LGA, s.203.
[42] This value is the average current house value obtained from https://qem.infometrics.co.nz/far-north-district/indicators/house-values?compare=new-zealand,northland-region Vacant land resulting from subdivisions may have a lower value.
[43] For example, this is the approach taken and amount used by Timaru District Council to calculate financial contributions for reserves.
[44] RMA, s.110(1).
[45] RMA, s.110(2).

9.4 How financial contributions can be challenged

Financial contribution provisions in a Plan can be challenged as part of the plan making process through an appeal to the Environment Court.

Further, an applicant for resource consent can challenge a financial contribution condition through the RMA process (i.e. objecting to Council, appeal to the Environment Court). This would be based on the individual consent and the application of them for that consent.

9.5 Timelines for implementation

9.5.1 Opportunity to include financial contributions in the Proposed District Plan

Financial contributions provisions within a district plan, or a proposed district plan, must be adopted through a plan change or variation process under Schedule 1 of the RMA, which provides for rights of submission and appeal to the Environment Court. Once in effect, the provisions remain in force for at least 10 years or until changed by the council.

The District Plan is currently under review and a new District Plan has been notified and submissions have closed. For the PDP to include financial contributions, the PDP requires a variation. So that the chapter could become operative at the same time as the rest of the PDP (subject to any appeals), the variation needs to occur during the current PDP timeline.

A summary of the timeline for the PDP, and necessary timeframes for a variation to occur to fit the PDP timeline is below:

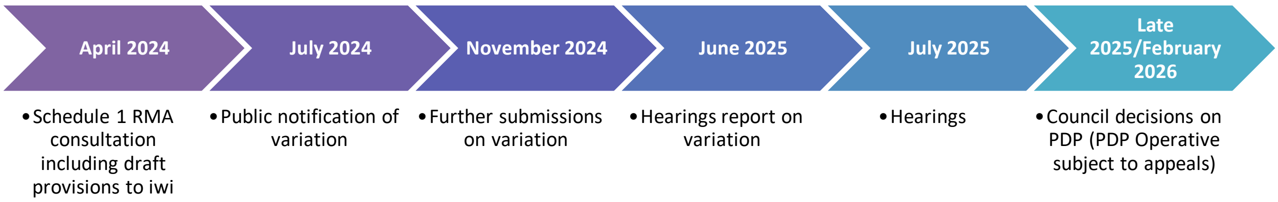

Figure 5 - Timeline to include variation to PDP

Alternatively, including financial contributions in an operative plan would require a plan change.

9.6 Opportunities which arise from collecting financial contributions

Other policies can be adopted about how certain financial contributions are spent. For example, the Kaipara District Council has a *Reserve Contributions (use of) Policy*[46] which covers:

- How the reserve contribution portion of funds can be used (i.e. creating more public open space or access) and that it will not be used for maintenance.
- Where they are allocated, which is primarily on a locality basis, with 10% of funds held to be used for district improvements such as playgrounds, cycleways, tracks and carpark sealing.
- The creation of a contestable fund for community groups to take on these types of projects.

Provided the funds collected are used by the Council for the purpose for which they are held, this demonstrates the possibility of financial contributions supporting a contestable fund being made available for community groups as referred to in and Halls and Facilities Strategy 2015 and the Spaces and Places Plan 2021 - 2030.

[46] Available from: https://www.kaipara.govt.nz/uploads/Policies/Reserve%20Contributions%20(use%20of)%20Policy%20Adopted%2023022022.pdf (accessed 15 January 2024).

10 Conclusions

Development has the potential to adversely affect the environment, which can be significant when cumulative adverse effects arising from multiple developments in the same area are created overt time. Development and growth creates additional demand on existing infrastructure and may require new or upgraded infrastructure to meet it. Council collecting financial contributions is an option to fund this demand.

The key issues and opportunities of Council collecting financial contributions are:

Opportunities/Benefits	**Issues/Risks**
• Provides the ability to address potential impacts on the environment and infrastructure created from development. This could also apply to development on Whenua Māori. • Shifts financial burden of costs to the Council to fund infrastructure needs arising from development or adverse environmental effects from ratepayers to the developer. • May encourage more, and provide more certainty, for development agreements. • May open up more areas for development if there are funds to pay for necessary upgrades or renewals of infrastructure. • Better infrastructure including more open spaces improves wellbeing for communities.	• Additional costs on development may be a barrier to development occurring, including on Whenua Māori, and increase costs of housing. • Where financial contributions are collected and need to be spent on new infrastructure, there may be additional ongoing maintenance costs incurred by the council for the life of that new infrastructure. • As developers are used to not paying either financial or development contributions there may be low public appetite from putting additional costs onto development and be seen as more 'red tape'.

If Council is to collect financial contributions, then any approach must ensure it:

- meets the purposes of the RMA,
- is transparent, consistent and equitable, and
- takes into account effects on development, developers, communities and Māori as well as the effects created by development and how climate change may impact on this.

SCHEUDULE ONE – TABLE SHOWING CONTRIBUTIONS COLLECTED BY OTHER COUNCILS

From MorrisonLow Report: *Development Contributions Gap Analysis,* Sept 2023

Appendix Two – DCs and FCs by territorial authority

			Assets funded by financial contributions						
Council	**DCs**	**FCs**	**Roading/ parking**	**Water supply**	**Wastewater**	**Stormwater**	**Reserves**	**Community facilities**	**Ecological / heritage**
<u>Councils with developer contributions and financial contributions</u>									
Whangārei District Council	Yes	Yes	✓	✓	✓	✗	✓	✓	✗
Kaipara District Council	Yes	Yes	✓	✓	✓	✓	✓	✗	✓
Auckland Council	Yes	Yes	✗	✗	✗	✗	✗	✗	✗
Thames-Coromandel District Council	Yes	Yes	✓	✗	✗	✗	✓	✗	✗
Hauraki District Council	Yes	Yes	✓	✓	✓	✓	✗	✗	✗
Waikato District Council	Yes	Yes	✓	✓	✓	✓	✓	✗	✗
Matamata-Piako District Council	Yes	Yes	✗	✗	✗	✗	✓	✗	✗
Hamilton City Council	Yes	Yes	✗	✗	✗	✗	✓	✗	✗
Waipa District Council	Yes	Yes	✓	✓	✓	✓	✗	✗	✗
Ōtorohanga District Council	Yes	Yes	✓	✓	✓	✓	✓	✓	✗
South Waikato District Council	Yes	Yes	✓	✓	✓	✓	✓	✗	✗
Tauranga City Council	Yes	Yes	✓	✗	✗	✗	✓	✗	✓
Rotorua District Council	Yes	Yes	✓	✗	✗	✗	✓	✗	✗
Whakatāne District Council	Yes	Yes	✓	✓	✓	✓	✓	✓	✗
Gisborne District Council	Yes	Yes	✓	✓	✓	✓	✓	✗	✓
Hastings District Council	Yes	Yes	✗	✗	✗	✗	✗	✗	✓
Central Hawke's Bay District Council	Yes	Yes	✓	✗	✗	✗	✗	✗	✗
New Plymouth District Council	Yes	Yes	✓	✓	✓	✓	✓	✓	✓
Ruapehu District Council	Yes	Yes	✓	✓	✓	✓	✗	✗	✗
Whanganui District Council	Yes	Yes	✓	✓	✓	✓	✓	✗	✓

Council	DCs	FCs	Assets funded by financial contributions						
			Roading/ parking	Water supply	Wastewater	Stormwater	Reserves	Community facilities	Ecological / heritage
Manawatu District Council	Yes	Yes	✓	✓	✓	✓	✓	✗	✗
Palmerston North City Council	Yes	Yes	✗	✗	✗	✗	✗	✓	✗
Horowhenua District Council	Yes	Yes	✗	✗	✗	✗	✓	✓	✗
Kāpiti Coast District Council	Yes	Yes	✓	✓	✓	✓	✗	✗	✗
Porirua City Council	Yes	Yes	✓	✓	✓	✓	✓	✗	✗
Upper Hutt City Council	Yes	Yes	✗	✗	✗	✗	✓	✗	✗
Hutt City Council	Yes	Yes	✓	✓	✓	✓	✓	✗	✗
Wellington City Council	Yes	Yes	✓	✓	✓	✓	✓	✗	✗
Tasman District Council	Yes	Yes	✗	✗	✗	✗	✓	✓	✗
Nelson City Council	Yes	Yes	✓	✓	✓	✓	✓	✓	✗
Marlborough District Council	Yes	Yes	✗	✗	✗	✗	✗	✗	✓
Buller District Council	Yes	Yes	✓	✓	✓	✓	✗	✓	✓
Hurunui District Council	Yes	Yes	✓	✓	✓	✓	✓	✗	✗
Waimakariri District Council	Yes	Yes	✓	✓	✓	✓	✗	✗	✓
Christchurch City Council	Yes	Yes	✗	✗	✗	✗	✗	✓	✗
Ashburton District Council	Yes	Yes	✓	✓	✓	✓	✓	✗	✗
Chatham Islands District Council	Yes	Yes	✗	✗	✗	✗	✗	✗	✓
Waitaki District Council	Yes	Yes	✓	✓	✓	✓	✗	✓	✗
Central Otago District Council	Yes	Yes	✗	✗	✗	✗	✓	✗	✗
Dunedin City Council	Yes	Yes	✗	✗	✗	✗	✗	✗	✓
Southland District Council	Yes	Yes	✓	✗	✗	✗	✓	✗	✗
Councils with developer contributions only									

Council	DCs	FCs	Assets funded by financial contributions						
			Roading/ parking	Water supply	Wastewater	Stormwater	Reserves	Community facilities	Ecological / heritage
Taupō District Council	Yes	No	✗	✗	✗	✗	✗	✗	✗
Kaikōura District Council	Yes	No	✗	✗	✗	✗	✗	✗	✗
Selwyn District Council	Yes	No	✗	✗	✗	✗	✗	✗	✗
Queenstown-Lakes District Council	Yes	No	✗	✗	✗	✗	✗	✗	✗
Councils with financial contributions only									
Far North District Council	No	Yes	✓	✗	✗	✗	✗	✗	✓
Waitomo District Council	No	Yes	✓	✓	✓	✓	✗	✗	✗
Western Bay of Plenty District Council	No	Yes	✓	✓	✓	✓	✓	✗	✓
Kawerau District Council	No	Yes	✓	✓	✓	✓	✓	✗	✗
Ōpōtiki District Council	No	Yes	✓	✓	✓	✓	✓	✗	✗
Napier City Council	No	Yes	✓	✓	✓	✓	✓	✗	✗
Stratford District Council	No	Yes	✓	✓	✓	✓	✓	✓	✓
South Taranaki District Council	No	Yes	✓	✓	✓	✓	✗	✗	✗
Tararua District Council	No	Yes	✓	✓	✓	✓	✗	✗	✗
Masterton District Council	No	Yes	✓	✓	✓	✓	✓	✗	✗
Carterton District Council	No	Yes	✓	✓	✓	✓	✗	✗	✗
South Wairarapa District Council	No	Yes	✓	✗	✗	✗	✗	✗	✗
Grey District Council	No	Yes	✓	✓	✓	✓	✗	✓	✓
Westland District Council	No	Yes	✓	✓	✓	✓	✗	✓	✓
Timaru District Council	No	Yes	✓	✓	✓	✓	✗	✗	✗
Mackenzie District Council	No	Yes	✓	✓	✓	✓	✓	✓	✗
Waimate District Council	No	Yes	✓	✓	✓	✓	✓	✓	✗

			Assets funded by financial contributions						
Council	**DCs**	**FCs**	**Roading/ parking**	**Water supply**	**Wastewater**	**Stormwater**	**Reserves**	**Community facilities**	**Ecological / heritage**
Clutha District Council	No	Yes	✓	✓	✓	✗	✓	✗	✗
Gore District Council	No	Yes	✓	✓	✓	✓	✓	✓	✗
<u>**Councils with no developer or financial contributions**</u>									
Wairoa District Council	No	No	✗	✗	✗	✗	✗	✗	✗
Rangitikei District Council	No	No	✗	✗	✗	✗	✗	✗	✗
Invercargill City Council	No	No	✗	✗	✗	✗	✗	✗	✗

SCHEDULE TWO – ADVANTAGES AND DISADVANTAGES OF APPROACHES TO CALCULATION METHODS

Approach	Advantages	Disadvantages
Fixed charge per new lot or unit	• Certain – costs known at start of project. • Easy to administer, charge, apply, calculate. • Would apply to both vacant lot subdivisions and developments with separate units on the same lot.	• May not reflect the true impact of different types of developments or the effects, where the amount charged could be too high or too low. • Needs to be reviewed regularly, or CPI adjusted to meet inflation.
Fixed charge per hectare of land developed	• Certain – costs known at start of project. • Easy to administer, charge, apply, calculate.	• May not reflect the true impact of different types of developments or the effects, where the amount charged could be too high or too low. • Needs to be reviewed regularly, or CPI adjusted to meet inflation. • Calculation needed to determine average number of lots per hectare – may not reach threshold or may exceed it.
Charges based on costs of works (cost recovery model)	• Bespoke and linked specifically to the work needed. • Will be able to directly target effects. • More targeted approach and may result in fairer and more transparent results.	• Uncertain at commencement of project. • Higher administration costs. • Challenges could arise to the calculation of the costs. • Reliant on sufficient information being available on costs. • May mean other future developments which connect to the same works are not charged as the works are already completed.
Charges based on value of assets and number of new lot or unit numbers	• Relatively certain – base figures used for calculation can be obtained relatively quickly. • Does not need future adjustments as linked directly to value of fixed assets and lot numbers. • Acts like a 'buy in' for new users.	• May not reflect the true impact of different types of developments or the effects, where the amount charged could be too high or too low.
Charges based on value of lots on completion	• Easy to administer, charge, apply, calculate. • Takes into account local variation due to values being different for different areas. • Mostly used for determining the amount for reserve financial contributions.	• Uncertain of amount until near the end of the development. • Additional administration with valuations required. • Likely cannot be justified for all types of infrastructure. • Vacant land as opposed to land with building on it – quite different values but likely same impact, so need to define which approach.
Whole of region	• Easy to administer. • Certain for developers.	• Could create unequitable results where there is less infrastructure available.
Use of subcategories such as location or type	• Could create more equitable results as takes into account factors specific for that area, zone, type of development. • More transparent if financial contributions collected are used for infrastructure for that area.	• More difficult to administer. • Would only suit infrastructure which benefits one area.

SCHEDULE THREE – LIST OF IWI AND HAPŪ MANAGEMENT PLANS REVIEWED FOR REPORT

Ngāti Kurī Pou Taiao Environmental Management Plan 2018
Ngā Tai e Rua o Te Aupōuri Environmental Management Plan June 2018
Te Iwi O NgāiTakoto Environmental Plan
Ahipara Takiwā Management Plan
Nga Ture mo Te Taiao o Te Roroa - Te Roroa Iwi Environmental Policy Document 2008 (reviewed 2011)
Te Rūnanga o Whaingaroa - Te Ūkaipō Iwi Resource Management Plan
Ngātiwai Iwi Environmental Policy Document 2007
Ngā Tikanga mo te Taiao o Ngāti Hine - Ngāti Hine Environmental Management Plan 2022
Haititaimarangai Marae Hapū Development Plan 2015
Te Paatu Ki Kauhanga Trust Board RMA Protocols & Policies 2019
Ngāti Rēhia Hapū Environmental Management Plan 2018
Ngāti Torehina Hapū Environmental Management Plan 2007
Ngāti Rangi Hapū Management Plan 2016
Kororāreka Marae Society Hapū Environmental Management Plan
Ngāti Kuta ki Te Rawhiti Environmental Management Plan – fifth edition
Te Kahukura a Ngãti Korokoro, Ngãti Wharara me Te Poukã. Ngā Hapū o Te Wahapū o Te Hokianga nui a Kupe Hapū Environmental Management Plan 2008

SCHEDULE FOUR - BENCHMARKING AMOUNTS

The table below shows the following:

- Amounts collected by other councils for financial contributions where fixed amounts are identified/used and published in their Annual Plan, Long Term Plan or District Plan. These:
  - are broken down into the purpose for which they are collected,
  - does not include cost recovery models or valuation approaches,
  - ranges are used where different amounts may be collected for that purpose, usually due to local variation applying, and
  - for the totals charged per new lot/unit, it is assumed that all of the purposes apply. In practice there may be some developments which not do pay a financial contribution for each purpose.
- Totals collected by those councils as reported in their 2022/2023 Annual Report. It is noted where the report does not break the figure down between the amount of financial and development contributions.

	PURPOSE					Total charged per new lot/unit	Total amount collected [FY 22/23]
	Water	Wastewater	Stormwater	Roading	Reserves, community facilities		
Whangarei District Council (fixed amounts only, does not include cost recovery model component)	$1,000	$1,000 - $3,146	$1,000	$1,000	$1,600	**$5,600 - $7,746**	$11,737,000*
South Waikato District Council (excluding Putāruru, with discount applied as per their Annual Plan)	$4,674	$7,686	$0	$10,101 ($4,506 for roading, $5,595 for carparking)	$1,749	**$24,210**	$793,000*
Western Bay of Plenty District Council	$3,974 - $7,999	$7,515 - $19,498	$4,188 - $10,202	$1,441 - $28,863	$10,601 ($10,100 for open spaces, $501 for ecological)	**$27,719 – $77,163**	$14,035,000
Kapiti Coast District Council (does not separate out purpose)						**$8,161.36 - $16,322.71**	$9,088,000*

* these figures include the amount also received from development contributions where the Annual Report does not break the figures down