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# **Development Contributions Policy Review Statement of Proposal**

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November 2021



## Introduction

Development contributions are charges that help Wellington City Council (the Council) to pay for upgrades to existing and new community facilities, to accommodate the City's growing population. Community facilities are reserves, network infrastructure (including for water supply, wastewater, stormwater and transport) and community infrastructure. The charges are allocated to new residential and commercial developments that enable more people to live and work in Wellington.

The Development Contributions Policy (the policy) covers what the charges are and how they are administered and calculated.

The Council is reviewing the policy to bring it up to date with planned costs, as a result of growth, for community facilities in the new Long-term Plan 2021-31 (the LTP). Council officers have reviewed the content for alignment with the LTP and for general improvements, and propose to replace the current policy with an amended policy, subject to public consultation and processes outlined in this Statement of Proposal.

This Statement of Proposal provides information about the policy and the proposed changes. A copy of the proposed amended policy is attached. The current policy can be viewed on the Council website. <https://wellington.govt.nz/your-council/plans-policies-and-bylaws/policies/development-contributions-policy>

## Have your say

Please let us know what you think about the review and proposed amended policy. To have your say about the proposed amended policy you can:

- make a submission online at <https://wcc.nz/dcp> or via [www.wellington.govt.nz/haveyoursay/consultations](http://www.wellington.govt.nz/haveyoursay/consultations)
- email your thoughts to: [policy.submission@wcc.govt.nz](mailto:policy.submission@wcc.govt.nz)
- download a submission form from the website and email it to [policy.submission@wcc.govt.nz](mailto:policy.submission@wcc.govt.nz)
- fill in the submission form and send it to:  
Freepost 2199  
Development Contributions Policy Review  
Policy Team 259  
PO Box 2199  
Wellington 6140
- drop off a completed submission form to Arapaki Service Centre at 12 Manners Street.

Printed copies of this Statement of Proposal are available from:

- Arapaki Service Centre
- by emailing [policy.submission@wcc.govt.nz](mailto:policy.submission@wcc.govt.nz)
- phoning 04 499 4444 to request a copy.

If you wish to make an oral submission to Councillors, please indicate this on the submission form and include your contact details. We will contact you to arrange a time for you to speak.

Written submissions open on Tuesday 2 November 2021 and close at 5pm on Wednesday 1 December 2021.

## **Privacy Statement**

All submissions (including names but not contact details) are provided in their entirety to elected members, and will be made available to the public at our office and on our website.

Your personal information will also be used for the administration of the consultation process, including informing you of the outcome of the consultation.

All information collected will be held by Wellington City Council, 113 The Terrace, Wellington. You have the right to access and correct your personal information.

## **Reasons for review**

1. The policy came into effect in 2005 when the Local Government Act 2002 (LGA02) was amended to enable Councils to charge development contributions, and has been updated several times, most recently in 2015. The policy needs to be reviewed regularly using LGA02 section 82 consultation processes [LGA02 section 106(3) refers].
2. The policy is usually reviewed after the approval of an LTP or an LTP amendment. This is because it needs to reflect costs (planned capital expenditure) provided in the LTP with the assumptions and context that support it (for example population growth estimates). The Council approved the new LTP on 30 June 2021 and this milestone has been the main trigger for the review.

## **Summary of proposed changes**

3. Officers have reviewed the policy and have proposed the attached amended policy with these changes:
  - presentation in a new template provided by the Department of Internal Affairs
  - new charges based on planned capital expenditure for growth in the LTP
  - policy catchment map boundary adjustments to reflect new development areas.
4. Detail on these proposed changes is provided in the discussion below. Some context and general information about the policy is provided first.

## Context

5. Development contributions help the Council pay for upgrades to existing and new community facilities to accommodate the City's growing population. Community facilities are reserves, network infrastructure (including for water supply, wastewater, stormwater and transport) and community infrastructure.
6. The charges are allocated to new residential and commercial developments that enable more people to live and work in Wellington. Projects that might require a development contribution include:
  - new houses, flats or apartments
  - subdivision of land
  - adding a new unit/dwelling, including an extra kitchen or kitchenette to an existing dwelling
  - adding to the gross floor area of a commercial building
  - converting part or the whole of an existing residential dwelling into commercial space, or vice versa
  - new retail, commercial or office space or warehouse buildings.
7. Council staff will work out how much a developer needs to pay when the development is assessed for its building consent, resource consent or service connection. Development contributions must not be required if the Council has imposed a condition for a financial contribution under the Resource Management Act 1991 on a resource consent for the same purpose, or if the Council has received funding from a third party, for example from central government.
8. The Council must have a development contributions policy in order to be able to collect development contributions.
9. The policy is structured in three parts:
  - **Part 1: Policy operation**  
This covers what the charges are, who is liable for them and when, how they are assessed for each development, review rights, and other operational matters.
  - **Part 2: Policy background and supporting information**  
This covers information about how the charges are determined, why the Council uses development contributions to fund growth, and key information from the LTP. Schedules to Part 2 set out more detail on capital expenditure total costs and the parts that are for growth and therefore subject to development contribution charges.
  - **Part 3: Policy catchment maps**  
Geographic maps that show the different zones for charges. These relate to catchments for different infrastructure (discussed below).

## Key concepts in the development contributions policy

10. Three key concepts in the development contributions policy are specifically related to the calculation of the development contributions. They are:

- Growth
- Equivalent Housing Units (EHUs)
- Citywide and catchment areas

### Growth

11. Under the LGA02 the Council may collect development contributions on capital expenditure on community facilities. The Council may not collect development contributions on any operating expenditure - only on capital expenditure. The LGA02 further sets out that development contributions may only be collected on capital spending for “growth”, which is one of three components of capital expenditure defined in the LGA02:

- **Renewal**  
Maintaining services, improving the physical integrity and remaining life of assets with no change to the asset base. It is about the improvement of condition or a direct replacement.
- **Level of service**  
Improving standards of quality, reliability, responsiveness, safety, comfort, flexibility, regulatory requirements or similar. Level of service investments may or may not result in new or additional assets
- **Growth**  
Increased availability and capacity to cater for more people. It is about an increase in the asset base - either increasing the capacity, number of assets, the total area or length.

12. Costs associated with renewal and level of service must not be included in any development contribution charges. When updating the policy, Council officers check each new project that development contributions may be collected for, and ensure an appropriate proportion is assigned to growth for the purposes of the policy. This proportion varies by project from around six percent for a citywide facility like the Botanic Gardens up to 100 percent for a road to a specific new development area.

13. Growth identified in the LTP and the value of development contributions do not line up exactly for a few reasons, mainly because:

- Long-term Plan projects are classified by the greatest component out of renewal, level or service or growth. Only growth is eligible for development contributions so needs to be separated and identified for each project
- Some growth projects do not fit the policy criteria under the LGA02.

14. The annual amount collected by the Council, projected at around \$3.5 million per year, will also not line up with the LTP expenditure directly because development contributions are collected for as long as it takes for the growth to occur. This is explained in examples in the policy (sections 17.1 and section 18 schedules 1 and 2 refer). Some charges may be collected in a short period (for example, a Greenfields development with new builds concentrated over a few years), but citywide charges tend to be collected over a longer time period related to growth projected over 30 years (for example, wastewater treatment facilities were built to cater for much bigger populations than at the time they were built).

### **Equivalent Household Units (EHUs)**

15. Development contribution charges are calculated based on the number of equivalent household units (EHUs) created by the development. Developers pay one EHU for each:

- residential development with more than one bedroom, for example, a house, an apartment or a self-contained unit
- allotment of land within a fee-simple subdivision
- 42m<sup>2</sup> of gross floor area in a non-residential development.

16. The EHU is associated with assumptions about household water and wastewater use, the need for reserve land, and transport use. If a residential development only has one bedroom or is a studio the fee will be 0.7 of the EHU charge.

17. If a commercial development expects to generate very low demand on resources (for example a large warehouse with few staff) they may choose to apply for a special assessment (section 7.11 refers).

18. The development contributions per EHU are set out in the proposed amended policy (section 4 refers) by policy map zones – these zones are related to catchments (explained below).

### **Citywide and catchment charges**

19. The policy provides for the collection of “citywide” development contributions for community facilities that people may benefit from no matter where they live in the city. The Council has citywide development contributions for network infrastructure (transport, water supply, wastewater, stormwater), reserves, and community infrastructure.

20. There are also development contributions by “catchment” for water, transport and reserves. A “catchment” in the context of the policy means a geographic area served by particular infrastructure. There are:

- Three wastewater catchments (related to three wastewater plants)
- 13 water supply catchments (based on reservoir and other key infrastructure locations)
- five transport catchments, and

- two reserves catchments.
21. Stormwater and community infrastructure are only charged in the “citywide”.
22. Catchments are grouped across policy catchment map zones A to T in the current and in the proposed amended policy (Part 3 maps). As an example, the three wastewater “catchments” apply as follows:
- Moa Point wastewater plant catchment contributions apply in most of the map zones; A, C, D, E, F, G, H, K, N, Q and S
  - Porirua plant catchment contributions apply in map zones I, J, L, P and R (the Porirua plant is shared with Porirua City) and
  - Karori plant catchment contributions apply in map zones B and M.
23. In each policy map zone, the total EHU charge is the sum of the citywide charge and any catchment charges that may apply for water supply, wastewater, transport and reserves.

## Discussion of changes

24. The proposed amended policy has the same methodology for the charges and operational systems as the current policy and as specified in the LGA02. The main changes in the proposed amended policy are:
- **Presentation**  
Use a new template developed by the Department of Internal Affairs
  - **New charges**  
Based on planned capital expenditure for growth identified in the LTP 2021-31
  - **Policy maps**  
Adjust policy map zone boundaries to reflect new development areas.

### Presentation

25. The Department of Internal Affairs issued a new template for development contribution policies in February 2021 to help councils to meet the requirements of the LGA02 in a clear and concise way. The Council has adopted and adapted the new template at this review.
26. The proposed amended policy contains the same scope of information as the current policy, but some parts are condensed through the use of the new template, and others are presented differently. Some sections of note:
- New section 6 “When development contributions are levied” sets out the process for levying development contributions through four steps: trigger, notice, invoice and payment. The presentation of this information has been streamlined and more clearly aligned with the specifications of the LGA02.

- New section 7 “Determining infrastructure impact” has the approach to determining equivalent housing units (EHUs) for residential and non-residential development, and includes the section on special assessments for non-residential development. This content is presented differently.
27. Parts of the policy covering “reconsiderations” and “objections” in new section 8 are now more clearly aligned with the LGA02. The Council rarely receives applications for “postponements” at new section 9.14, but the content has been expanded and more closely aligned with the LGA02 for cases that do come up.
28. Provisions for a “green building remission” now at section 9.27 are unchanged. This is about a discount on charges for non-residential buildings meeting the green star building rating criteria.
29. The “definitions”, now at section 11, have been aligned with the terms from the LGA02 and the National Planning Standards 2019. Related to the definitions:
- provisions about the way gross floor area is measured for non-residential buildings is at new section 7.11, previously this information was in the definition - stairways and lift spaces are no longer excluded from the measures, but uncovered stairways, floor spaces, plant rooms and areas used for vehicles may be excluded, as in the current policy
  - clarifications about what will be considered a residential unit are provided at new section 7.6.

### **New charges**

30. As outlined in the context section (above), development contribution charges are:
- based on a proportion of capital expenditure related to growth
  - charged per EHU of expected growth, and
  - differ by policy map zones depending on catchment infrastructure and related charges.
31. The proposed new development contribution charges are provided in Part 1 section 4 of the proposed amended policy, and are summarised and discussed in this document. Table 1 (below) presents the new total charges alongside current total charges for comparison. The more detailed components of each charge are in Part 1 section 4 of the proposed amended policy.
32. The range of development contribution charges in the current policy is from \$3,261 in Tawa to \$10,944 in Grenada-Lincolnshire.
33. The proposed new charges range from \$4,647 in Tawa to \$17,451 in Grenada-Lincolnshire for residential EHUs, with increases in all map zones.

34. Both the current and proposed new charges are highest in newer suburban areas where there are relatively more growth-related community facilities needed and planned.
35. The proposed new charges for a unit of non-residential development are lower because charges for reserves and community infrastructure do not apply.
36. Charges have been amended depending on actual community facility projects, they do not increase by a specific proportion. For this reason, proportional changes are not presented.
37. Supporting information for the new charges is provided in Part 2 of the proposed amended policy, and this information has been updated to align with capital expenditure, community outcomes and population projections in the new LTP. The relationship between total capital expenditure and development contributions is described in the proposed amended policy, mainly in Part 2, Table 9, and Schedules 1 and 2.

**Table 1: Total new charges in the proposed amended policy and current charges**

<b>Map zone</b>	<b>Amended residential</b>	<b>Current residential</b>	<b>Amended non-residential</b>	<b>Current non-residential</b>
A Roseneath	\$8,377	\$6,991	\$7,157	\$6,387
B Karori	\$8,089	\$6,703	\$6,869	\$6,099
C Beacon Hill	\$5,110	\$3,724	\$3,890	\$3,120
D Brooklyn-Frobisher	\$6,685	\$5,299	\$5,464	\$4,695
E Kelburn	\$5,110	\$3,724	\$3,890	\$3,120
F Johnsonville-Onslow	\$6,693	\$5,307	\$5,473	\$4,703
G Ngaio	\$5,110	\$3,724	\$3,890	\$3,120
H Maldive-	\$5,110	\$3,724	\$3,890	\$3,120
I Churton-Stebbing	\$13,058	\$9,930	\$11,838	\$9,326
J Grenada-Lincolnshire	\$17,451	\$10,944	\$14,133	\$10,045
K Maupuia	\$5,110	\$3,724	\$3,890	\$3,120
L Newlands	\$5,593	\$3,261	\$4,373	\$2,657
M Melrose	\$8,140	\$6,754	\$6,920	\$6,150
N Central & Coastal	\$8,348	\$4,722	\$7,128	\$4,118
O Tawa	\$4,647	\$3,261	\$3,427	\$2,657
P Wadestown	\$7,135	\$5,748	\$5,915	\$5,144
Rural	\$2,809	\$1,916	\$1,589	\$1,312
Q Inner city Residential	\$10,270	\$6,137	\$7,128	\$4,118
R Johnsonville Town Centre	\$9,165	\$7,510	\$7,945	\$6,906
S Adelaide Road	\$9,623	\$8,578	\$8,403	\$7,974
T Pipitea Precinct - Residential	\$12,283	\$8,604	\$9,141	\$4,118

38. Table 2 (below) has the breakdowns for the citywide charge – which is a component in the total in Table 1 (above). The citywide charges are for community facilities that people may benefit from no matter where they live in the city and are the same in all map zones.

39. Community infrastructure charges (Table 2 refers) are not in the current policy as the ability to collect these was re-introduced into the LGA02 by amendment in 2019. These new charges come from planned development of community infrastructure including libraries, cemeteries and aquatic facilities.

**Table 2: Citywide charges breakdown and comparison**

<b>Community facilities</b>	<b>Amended residential</b>	<b>Current residential</b>	<b>Amended non-residential</b>	<b>Current non-residential</b>
Parks and reserves	\$644	\$604	N/A	\$0
Transport	\$1,589	\$1,312	\$1,589	\$1,312
Stormwater	\$347	\$165	\$347	\$165
Wastewater	\$173	\$121	\$173	\$121
Water supply	\$596	\$337	\$596	\$337
Community infrastructure	\$576	N/A	N/A	\$0
<b>Total</b>	<b>\$3,925</b>	<b>\$2,539</b>	<b>\$2,705</b>	<b>\$1,935</b>

40. The citywide contribution increase accounts for \$1,386 of the residential per EHU increase, and \$770 of the non-residential. The remainder of increases are spread across different catchments relevant to projects in those areas - these are set out in the proposed amended policy (Part 1 section 4, Table 1, and additional detail in Part 2 Schedules 1 and 2). Transport charges may be expected to increase in future, depending on the outcomes of the Let's Get Wellington Moving programme.

41. Part 2 of the policy outlines how the Council has considered the impact of liability for development on the community under the LGA02 section 101(3)(b).

42. The Council continues to consider it is appropriate the development contributions fund additional capacity in community facilities. The benefits of this additional capacity mainly accrue to new households (EHUs) and businesses generating demand for that capacity. Development contributions paid by developers are likely to be passed on through section and building prices to the residents of new households and businesses.

43. Existing residents and businesses gain less benefit from the community facilities and resulting growth in the city and therefore they should not be required to fund the majority of the costs (where the benefit accrues to new developments) through rates.

44. The Council considers the proposed charges in the proposed amended policy are proportionate to the LTP. They also reflect that the Council is taking a much more proactive approach to investment in community facilities to support the community outcomes set out in the LTP. This approach includes funding and investment to:

- lift the resilience of the three waters systems including the construction of Omāroro reservoir to serve a larger population, and infrastructure to lift water quality
- ensure the transport system provides efficient and reliable access across the City to support growth, and

- continue investment in parks in the context of a growing population.
45. The Council has examined development contributions in other parts of New Zealand and found the Wellington proposals are lower in comparison with many. Development contribution charges are between \$16,000 and \$42,000 in Porirua, and between \$15,000 and \$26,000 in Hutt City. Development contributions tend to be much higher in areas where completely new community facilities of all types are needed to open up new geographic areas, for example, development contributions in Drury, Auckland, have been proposed at more than \$80,000 associated with the need for new local and arterial roads.
46. The LTP notes a return through the policy of around \$3.5 million per year over the 10 year period of the LTP and the charges align with this estimate. Some \$300 million is estimated to be collected from development contributions. This amount of development contributions will be spread over a longer time period as the growth that is being prepared for takes place. Some infrastructure will meet growth requirements (and potentially collect from new developments) for up to 30 years.
47. Maps A to T and an overview of the maps are provided in Part 3 Policy Catchment Maps of the proposed amended policy. Additions are proposed to these maps:
- **Map F – Johnsonville – Onslow**  
Additions in the north-east at the top of Homebush Road
  - **Map H – Maldive**  
Inclusion of the top of Glover Street, a mainly industrial zone
  - **Map J – Lincolnshire – Grenada**  
Additions for new residential development on the western part of the zone, known as Hyde Farm and additions in the south-west, known as Lincolnshire Farm
  - **Map K – Maupuia**  
Additions along Shelly Bay Road. These are marginal additions along the roadside closer to the southern end (near Miramar cutting) that were not previously in a map zone
  - **Map L – Newlands**  
Additions at the south-western part (located above Glover Street in Map H) but connecting to Newlands for transport and water).
48. Maps are also provided in a more legible and modern format, and may also be available in future online on the Wellington City Council maps page, <https://gis.wcc.govt.nz/LocalMaps/Gallery/>.

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