



TAURANGA CITY COUNCIL

CITY PLAN SECTION 32 REPORT

Chapter 11 – Financial Contributions



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1. INTRODUCTION

The Council is required under section 32 of the Resource Management Act 1991 (the RMA) to carry out an evaluation of alternatives, costs and benefits, and efficiency and effectiveness of the various components of the proposed City Plan.

Section 32 of the Act requires that the evaluation must examine:

- (a) the extent to which each objective is the most appropriate way to achieve the purpose of the Act; and
- (b) whether, having regard to their efficiency and effectiveness, the policies, rules or other methods are the most appropriate for achieving the objectives.

An evaluation must also take into account:

- (a) the benefits and costs of policies, rules, or other methods; and
- (b) the risk of acting or not acting if there is uncertain or insufficient information about the subject matter of the policies, rules or other methods.

This report fulfils the obligations of the Council under s32 of the RMA. The following is a section 32 analysis in regard to Chapter 11 – Financial Contributions. It should be read together with the text of the proposed City Plan itself.

2. PURPOSE OF THE CHAPTER

The purpose of the Chapter 11 – Financial Contributions is to set out the circumstances in which Council will fund infrastructure through a Financial Contribution and so ensure that new development contributes fairly to the funding of Council's infrastructure requirements. Whilst the majority of contributions towards this infrastructure are taken by the Council as Development Contributions under the provisions of the *Local Government Act 2002* (LGA), several circumstances have led to the need to address deficiencies in the ability of the Development Contributions system to ensure that *all* new development contributes fairly to the funding of Council infrastructure. The purpose of Chapter 11 is to take Financial Contribution to:

- Address the statutory exemption of the Crown from the Development Contributions system through the Crown's exemption from the provisions of the LGA. The Crown undertakes development within the City that places demands on Council's infrastructure.
- Enable updating of contribution requirements contained in resource consents that remain valid, were granted prior to the regime of Development Contributions under the LGA coming into effect on 1 July 2004, and contain a condition enabling review under s128 of the *Resource Management Act 1991* ('the RMA').
- Provide a mechanism for the funding of local reserves and community infrastructure in the existing urban growth areas of:
 - Bethlehem;
 - Ohauti;
 - Welcome Bay;
 - Papamoa;
 - Pyes Pa;
 - Tauranga and Mt Maunganui infill.

As identified in Diagram 5, Section 5, of the Proposed City Plan.

3. RECORD OF DEVELOPMENT OF PROVISIONS

3.1 Background Research

In light of Council's legal obligations under the LGA it has considered the different funding sources available for growth-related infrastructure. It has determined that the most appropriate outcome is for the growth that causes the need to build this infrastructure is also the source of funding for this infrastructure. This outcome is primarily implemented through the Council's Development Contributions policy but because of limitations in the taking of development contributions under the LGA a financial contribution regime under the Plan requires consideration.

Detailed investigation of the inputs into funding and contribution requirements are detailed within the council's Development Contributions policy.

3.2 Consultation Outcomes

In August of 2008 general consultation of issues associated with the Financial Contributions chapter and options to address these issues was undertaken.

In April of 2009 a community feedback exercise was undertaken on draft content for the City Plan.

No significant feedback was received through either of these processes.

Through the 2009-2019 LTCCP detailed consultation was undertaken on the manner of calculating contributions. This feedback is extensive and not included in this document, but is available from the Council on request. The feedback in relation to financial contributions is:

1.54	958, 959	Reserve and community infrastructure contributions – use of financial contributions	<p>Council's approach of requiring "financial contributions" under the RMA for reserve contributions rather than "development contributions" under the LGA is not adequately explained in the Policy and should be.</p> <p>RMA plan changes are difficult to administer and costly.</p> <p>Planned changes to the operative status of proposed plans will make this more difficult.</p> <p>It is assumed that the LGA contribution provisions will remain in place until such time as a RMA plan change is implemented.</p>	<p>This is explained in the "Summary of Fees and Key Changes" section of the Policy. More detailed explanation can be found in the relevant Council reports and in the amended financial contributions chapters of the District Plan once these are notified.</p> <p>The financial contributions will be formula based rather than dollar based so will not need updating annually thus avoiding costly and time consuming plan change processes.</p> <p>The plan change will be notified before the proposed changes to the RMA are passed into law.</p> <p>Council plans to make a plan change operative by 30 June 2009 or soon thereafter and to begin charging financial contributions from the date it is notified as permitted under the RMA. Reserve contributions will continue to be taken as development contributions under Council's operative Policy up until notification of the plan change. Development contributions will also continue to be taken beyond 30 July 2009 for developments that already have resource consent. These fees will be the same as the financial contributions required under the RMA 1991.</p>
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3.3 Council Meetings

The issue of taking Financial Contributions to address the issues raised in Section 2 above, has been discussed in the Council’s Strategy and Policy Committee through the District Plan Review workshops and the discussion of Development Contribution issues. Direction has previously been provided to develop this plan change, which is to be undertaken parallel with the District Plan Review process as a matter of priority, given the significance of the potential financial effects on the community.

Elected Members discussed the development of the Commercial Chapter on the following dates. The outcomes of each discussion are also listed.

Meeting: Strategy and Policy Committee – 24 November 2008

Issues Discussed:

- Methods for obtaining contributions towards the costs of growth from Crown entities; and
- The taking of contributions for PIFs and Industrial Street Landscaping through either the RMA Financial Contributions mechanism or the LGA Development Contributions system.

Meeting Outcomes: The Committee provided the direction to:

Issue	Possible Response(s)
<i>Whether to seek agreement to the payment of contributions by the Crown.</i>	<i><u>Option B</u> – Undertake discussions with Crown entities to reach an agreement for the payment of contributions relevant to development undertaken by those entities.</i>
<i>Figure or Formula Based Approach to Contributions</i>	<i><u>Option B</u> – Use a methodology or formula based approach within the District Plan, without figures or reference to the Development Contributions Policy, but consistent with the Development Contributions Policy.</i>
<i>Timing of Changes to District Plan.</i>	<i><u>Option C</u> – Undertake both Options A and B in parallel – i.e. – Update a plan change as a matter of priority in a manner reflecting issue 8.2</i> <i>AND</i> <i>Further investigate an agreement with Crown entities and the potential costs and legal implications of seeking to update Financial Contribution requirements to existing consents.</i>
<i>Whether Parking Impact Fees and Industrial Street Landscaping should be included in the District Plan as Financial Contribution requirements.</i>	<i><u>Option A</u> – Retain PIFs and landscaping contribution requirements within the Development Contributions Policy. Amend Development Contributions Policy to address minor wording anomaly within the District Plan.</i>

Meeting: Council – 10 September 2008

Issues Discussed:

Issues in relation to Development Contribution under the LGA were discussed. These discussion are relevant to this matter as they have influenced the nature of Development Contribution, which is reflected in the Financial Contribution requirements. The issues discussed were in relation to 'intergenerational equity' (DC419), and 'inflation on reserves and community infrastructure projects' (DC416).

Meeting Outcomes: The Council provided the direction:

DC417:

- (a) *That the Group Manager: City Directions and the Group Manager: Business Services' Report (DC 417) be received.*
- (b) *That Council notes the importance of determining the true costs of growth (from both a technical and legal perspective). Once these true costs have been identified Council will give consideration as to whether these full costs will be charged to growth through development contributions or subsidised by another source (primarily rate revenue).*

The extent of any transfer of costs to the ratepayer to achieve affordability and equity will be subject to consultation with both the development working party and the community during the 2009 - 2019 Ten Year Plan process.

- (c) *That it be noted that the views of the Development Working Party on the issues raised in this Report are set out in the report in Attachment A.*
- (d) *That it be agreed in principle that Council intends to include the cost of capital in the calculation of development contribution fees for all projects and activities contained in Council's Development Contributions Policy from 1 July 2009 and that this will be fully consulted on during the 2009-19 Ten Year Plan process.*
- (e) *That it be noted that the issue of how the cost of capital, and growth-related costs generally, should be spread over time through development contribution fees is addressed in DC 419 Development Contributions Policy – Intergenerational Equity which will considered immediately after this Report.*

DC419:

- (a) *That the Group Manager: City Directions and the Group Manager: Business Services' Report (DC 419) be received.*
- (b) *That it be noted that the views of the Development Working Party on the issues raised in this Report are set out in the report in Attachment A.*
- (c) *That the draft 2009/10 Development Contributions Policy reflects:*
 - (i) *Option 2: Development Contributions Policy is designed so that fees remain constant in real terms over time.*
- (d) *That feedback is sought on the issue of intergenerational equity in relation to development contributions through the draft 2009-19 Ten Year Plan.*

The result of which is that extensive consultation was undertaken on the nature of these contributions through the 2009-2019 LTCCP process.

Meeting: Strategy and Policy Committee – 8 December 2008

Issues Discussed:

Direction was sought from Elected Members on Council's preferred approach to charging development contributions for reserves under the new draft Open Space Level of Service Policy. A number of possible methodologies had been assessed and ranked against criteria on fairness and equity, links to growth, transparency, simplicity and legal requirements.

Meeting Outcomes: The Committee provided the direction:

- (a) *That the Group Manager: City Directions' Report (DC 588) be received.*
- (b) *That the preferred funding methodology for implementation of the draft Open Space Level of Service Policy in infill and urban growth areas is:*
 - (i) *Option 5: Financial Contributions under the Resource Management Act 1991*
 - *allocate percentage of growth population to percentage of capital costs of implementing the open space level of service over a specified planning period; and*
 - *apply using a formula methodology.*
- (c) *That the funding methodology for the draft Open Space Level of Service Policy implementation be included in the Financial Contributions Plan Change scheduled to occur in 2009.*
- (d) *That the preferred funding methodology for comprehensive development areas and new urban growth areas remains in the Development Contributions Policy as there is a clear link between the requirement for open space and the growth of the area.*
- (e) *That these resolutions be transferred into the open when approved.*

Meeting: Strategy and Policy Committee – 24 June 2009

Issues Discussed:

Following the direction provided on the 24 November and 8 December, Plan Change 51 to the operative District Plan was prepared to address:

- The statutory exemption of the Crown from the provisions of the LGA by virtue of s8 of that Act;
- The historical application of conditions on resource consents, issued prior to 1 July 2004 (being the date that Council adopted its DC Policy), that contain a condition enabling review under s128 of the RMA for the updating of contribution amounts specified in these conditions;
- The adoption of a revised approach towards the provision of reserves and community infrastructure that is more reflective of RMA considerations than LGA matters;
- Current technical issues with the application of Financial Contributions for cash in lieu of parking in the CBD.

Meeting Outcomes: The Committee provided the direction to:

- (a) *That the Group Manager: City Directions' Report (DC 193) be received.*
- (b) *That pursuant to clause 5 of the First Schedule to the Resource Management Act (1991), Proposed Plan Change 51 "Financial Contributions", be adopted for public notification and the Group Manager: City Directions be authorised to arrange the public notification process in accordance with the provisions of the First Schedule to the Resource Management Act 1991.*
- (c) *That pursuant to Section 32 of the Resource Management Act 1991 the Section 32 assessment covering Plan Change 51 be received.*
- (d) *That the decision by the Strategy & Policy Committee on 24 November 2008 to retain Parking Impact Fees (PIFs) and landscaping contribution requirements in the Developments Contributions Policy and to amend the Development Contributions Policy to address minor wording anomaly within the District Plan (DC 557 District Plan Review Issue Discussion) be rescinded.*

Plan Change 51 is currently proceeding through the submissions and hearings process.

3.4 Relevant Legislation, Strategies and Policy

3.4.1 Resource Management Act

The Council's functions under the RMA are set out at s31 of that Act. S31 provides *inter alia*:

"31 Functions of territorial authorities under this Act

(1) Every territorial authority shall have the following functions for the purpose of giving effect to this Act in its district:

(a) The establishment, implementation, and review of objectives, policies, and methods to achieve integrated management of the effects of the use, development, or protection of land and associated natural and physical resources of the district:

(b) the control of any actual or potential effects of the use, development, or protection of land..."

The relevance is that it is incumbent on the Council to ensure that the Plan controls the effects of the use, development and subdivision of land. Relevant to exercising these functions is the matters to which regard must be had when changing a district plan, outlined at s74, which include s74(2)(b)(i):

"Management Plans and Strategies prepared under other acts..."

The implication of s74(2)(b)(i) with respect to the Plan is that the measures and intent of the Council's Development Contributions Policy is a relevant consideration when amending the Plan.

Of primary importance is the purpose of the RMA, set out a s5 as:

"5 Purpose

(1) The purpose of this Act is to promote the sustainable management of natural and physical resources.

(2) In this Act, sustainable management means managing the use, development, and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic, and cultural wellbeing and for their health and safety while—

- (a) Sustaining the potential of natural and physical resources (excluding minerals) to meet the reasonably foreseeable needs of future generations; and*
- (b) Safeguarding the life-supporting capacity of air, water, soil, and ecosystems; and*
- (c) Avoiding, remedying, or mitigating any adverse effects of activities on the environment.”*

To which the definition of ‘*environment*’ is a critical element. The term defined in the RMA as:

“Environment includes—

- (a) Ecosystems and their constituent parts, including people and communities; and*
- (b) All natural and physical resources; and*
- (c) Amenity values; and*
- (d) The social, economic, aesthetic, and cultural conditions which affect the matters stated in paragraphs (a) to (c) of this definition or which are affected by those matters:”*

To achieve the purpose of the RMA, the issue of the economic impact of subdivision, land use and development on the social, economic and cultural wellbeing of the people and communities of Tauranga City must be addressed. Addressing this matter through financial contributions is a method to promote the sustainable management of the City’s resources.

3.4.2 Local Government Act

The council’s obligations for financial management are set out in Subpart 3 of the LGA commencing at section 100.

- (1) A local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community.*
- (2) A local authority must make adequate and effective provision in its long-term council community plan and in its annual plan (where applicable) to meet the expenditure needs of the local authority identified in that long-term council community plan and annual plan.*
- (3) The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of,—*
 - (a) in relation to each activity to be funded,—*
 - (i) the community outcomes to which the activity primarily contributes; and*
 - (ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and*
 - (iii) the period in or over which those benefits are expected to occur; and*
 - (iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and*
 - (v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and*
 - (b) the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well-being of the community.*

Following consideration of the provision of the LGA, including section 101, Council has adopted a position, that where possible growth should pay for the costs that it causes to incur and that these costs should not be borne by the wider community through rates or other funding sources. Council primarily uses its Development Contributions Policy to achieve this objective but for reasons set out in this report a financial contributions regime is required to complement council's Development Contributions Policy in order to achieve this objective.

3.4.3 Council's Long Term Council Community Plan 2009-2019

The Council's Development Contributions Policy ('the DC Policy') forms Part B of the Council's Long Term Council Community Plan (LTCCP). The Policy provides a detailed analysis of the costs of growth over the life of infrastructure projects identified in the Policy. Significant research, analysis and consultation has been undertaken in the preparation of the Policy.

The Policy acknowledges that whilst Council has adopted development contributions under the LGA as the primary mechanism for funding the costs of growth related infrastructure, financial contributions (under the RMA/Plan) will be used in circumstances where development contributions cannot be taken. This is anticipated by the Council's DC Policy, which specifies in Part 1 of that policy that contributions will be taken through that mechanism except where the exemptions from the *Local Government Act 2002* provide that the RMA financial contributions system is the only method the recoup these costs.

Several fundamental principles have arisen from the years of process that has produced the Policy in its current form, these include:

- Development that generates the demand for new or improved Council infrastructure will fund the costs of that infrastructure – the 'growth pays for growth' principle;
- There is a difference in the levels of demand for infrastructure from different kinds of development, and that recognition of these different levels of demand is appropriate;
- That Council has been and is forecast into the future, to grow at a rapid rate. The consequence is a rapid demand for infrastructure that cannot be funded from other sources of revenue than from growth related development;
- Contributions need to be regularly checked and reviewed to ensure the costs are fair and equitable, and have regard to the changes that affect the provision of services by the Council.

In addition, principles underlying the method of calculating contribution amounts have also been set out in the Policy. These application of these principles to content of the City Plan are discussed further below.

The 2009-2019 LTCCP also included the adoption of a revised Open Space Level of Service policy ('the Open Space Policy'). The Open Space Policy sets out the council's approach to open space provision and adopts an approach based not only on the provision of open space, but on accessibility and quality of open space. This approach requires a funding mechanism that is aligned with the effects of growth (more people require more facilities) rather than anticipated expenditure by the Council.

3.4.4 SmartGrowth

SmartGrowth is the sub-regional growth management strategy of which the Council is a partner. SmartGrowth is a strategy of the Council that is relevant to the Plan by virtue of s74(2)(b)(i) of the RMA. SmartGrowth recognises the costs of growth as a significant issue and suggests there is a need to mitigate the effects of on-going growth by recovering from development, the costs of infrastructure that fall both within and outside the area being developed (funding action 4, pg 175).

4. ISSUES

4.1 Summary of Issues

The following issues have been identified:

- *Contributions for parties exempt from the LGA* – The current framework for recovering the costs of infrastructure through the DC Policy does not provide an ability to recoup the costs of infrastructure from parties exempt from the LGA/DC Policy;
- *Addressing historic resource consent conditions* – A significant proportion of consents issued prior to the DC Policy coming into effect on 1 July 2004 contained conditions enabling a review of the level of contribution specified in the condition under s128 of the RMA. Some of these consents remain valid. The contribution amounts within these conditions were specified in accordance with the amounts outlined in the Plan at that time, which are significantly less than the true cost of infrastructure reflected in Council's DC Policy;
- *Implementing Council's Reserves Level of Service Policy* – With a recent review of the Council's Reserves level of Service Policy, a revised approach has been taken to the provision of open space. This approach is reflective of not only providing open space, but ensuring accessibility, quality and function are also considered. Whilst this approach is partly to be implemented through the DC Policy, within existing urban growth areas an RMA based approach would be required to implement the policy approach.
- *Parking impact fees and landscape planting contributions* – The Plan anticipates that there will be effects on infrastructure from development within the City Centre zone (through the need for additional parking to support that development), and for landscape planting in the roads of industrial areas (to mitigate the effects of industrial development in the absence of any general site amenity provisions). Considerations for concession to parking requirements and the costs of Council providing consolidated parking areas are an issue for the funding of that infrastructure.
- *Unforeseen impacts* – Development may occur that introduces effects that are not anticipated by the council's Development Contributions Policy, such as bringing forward the requirement to upgrade roading infrastructure. The mitigation of these 'unforeseen effects' must be specified in the Plan if these effects are to be mitigated financially, rather than through the provision of works or services.

4.2 Issue 1: Mitigating the Costs of Growth and Development

The subdivision and development of the City can create costs in the form of environmental effects. These effects can be mitigated by the provision of infrastructure, the provision of which may be inefficient or unachievable.

Provision of Open Space

The provision of open space to provide for the needs of residents has been an issue noted through the community outcomes research undertaken through the Tauranga Tomorrow project and the Council's Open Space Strategy. These documents reflect the desired outcomes of the community and have an emphasis on the provision of quality, well connected open space. The recent review of the Council's Level of Service Policy sets out the expected delivery of Open Space within the City. These assessment guide the principles for the provision of Open Space.

The issue is relevant to the Plan as the need for Open Space arises as a consequence of the effects of subdivision, land use and development. The issue is also relevant to providing for the sustainable management of natural and physical resources, by enabling people and communities to provide for their social and cultural wellbeing. Controlling the effects of these

activities is a function of the Council under s31 of the RMA. Whilst the provisions of the Plan are largely unchanged to address this issue, several of the methods used to address this issue have been revised, reflective of the outcomes of the consultative processes outlined above.

Requirements for financial contributions to provide local reserves and community infrastructure in existing urban growth areas is reflected in the approach of specifying projects to meet the objectives of the Open Space Level of Service Policy within the LTCCP, and the delivery of those objectives facilitated by a financial contribution methodology specified within the Plan.

Funding Infrastructure

This issue was identified through the establishment of the Plan. The identification of this issue, and the ongoing relevance of this issue is self-evident. Notwithstanding, evidence of this issue is clearly obvious in the Council's 2009-2019 LTCCP, whereby the costs of growth related infrastructure place the Council in an unsustainable financial position. The LTCCP provides detailed evidential analysis supporting the identification of the issues associated with funding infrastructure.

The issue is relevant to the District Plan as the issue is a consequence of the effects of subdivision, land use and development. The issue is also relevant to providing for the economic wellbeing of the people and communities of the City. Controlling the effects of these activities is a function of the Council under s31 of the RMA.

The Council currently meets this objective through the taking of Development Contributions under the provisions of the LGA (the DC Policy). Whilst the objective of the DC Policy is to fund growth related infrastructure, two exemptions from that policy introduce the need to address these exemptions through the Financial Contributions system. These exemptions are:

- Ministers of the Crown through the statutory exemption set out at s8 of the Local Government Act. The Crown undertakes works that place a demand on Council infrastructure that is not recovered through the DC Policy; and
- To address historical resource consents 1 July 2004 that remain valid and contain a condition enabling review, under s128 of the RMA, of the financial contribution payable.

4.2.1 Objectives

This table identifies the appropriateness of the listed objectives in achieving the purpose of the RMA.

Objective Number	Objective	Appropriateness
11.1.1.1	The total costs of providing <i>infrastructure</i> to accommodate growth are mitigated through new development that uses the <i>infrastructure</i> making a fair and proportional financial contribution towards that <i>infrastructure</i> .	The objective is relevant to the issue in achieving the purpose of the RMA through mitigating the effects of subdivision, land use and development on the economic wellbeing of the community. The objective is useful in providing the basis for what the Plan seeks, is achievable in terms of how these effects can be mitigated and reasonable given the scope of financial effects introduced by the costs of infrastructure or mitigation

		of effects.
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4.2.2 Policies, Methods and EREs

This table identifies the appropriateness of the listed policies and methods in achieving the listed objectives.

<p>Policies and Methods</p>	<p><i>Objective 11.1.1.1 is to be implemented through 11.1.1.1.1 Policy - Mitigation of the Costs of Growth on Economic Wellbeing, 11.1.1.1.2 Policy – Funding of Infrastructure, 11.1.1.1.3 Policy – Funding of Services, 11.1.1.1.4 Policy - Fair and Equitable Contribution, 11.1.1.1.5 Policy – Intergenerational Equity, 11.1.1.1.6 Policy – Cost of Capital, 11.1.1.1.7 Policy – Relevance of Financial Contribution and Review of Costs, 11.1.1.1.8 Policy – Provision of Land, 11.1.1.1.9 Policy – Unforeseen Impacts, 11.1.1.1.10 Policy – Recreation Demands in Established Urban Growth Areas, 11.1.1.1.11 Policy – Allocation of Costs.</i></p> <p>These policies are implemented through the methods of:</p> <ul style="list-style-type: none"> • Taking development contributions under the LGA; • Providing for the taking of financial contributions for parties exempt from the Council's development contributions policy; • Enable the review of historic conditions of resource consents where those consents have not been implemented and contributions not yet paid; • Provide for the taking of local reserve and community infrastructure contributions as financial contributions in existing urban growth areas; • Provide for the mitigation of effects through financial contributions in circumstances of coordinating parking supply in the City Centre, mitigating industrial development in the industrial zones, and the mitigation of unforeseen effects such as bringing forward infrastructure projects.
<p>Costs</p>	<p>Provision of Local Reserves</p> <p>The costs of this approach are that subdivision, land use and development are required to contribute land or money towards the provision of open space. The provision of Open Space is a reasonable cost consistent with the purpose of the RMA. Provisions are proposed under this approach for taking contributions for reserves and community infrastructure. These provisions apply not only to those parties defined as 'exempted parties' (exempt from the Council's DC Policy), but also are the proposed funding mechanism for all local reserves improvements in established urban growth areas. In addition the implementation of a revised approach to open space requires in part, that, contributions are taken for open space provision and improvements (community infrastructure) in existing urban growth areas.</p> <p>This approach provides for contributions to be taken for open space in</p>

	<p>undeveloped urban growth areas through the Development Contributions Policy, and for contributions for existing urban growth areas through the Plan. The cost of this approach is using two separate mechanisms for different areas of the City, however in practice this is unlikely to be an issue.</p> <p>Contributions</p> <p>The costs of the amendments to these sections of the plan are to introduce additional development costs to parties that are either exempt from the level of contribution specified in the DC Policy, or have contribution figures specified in historical consents. This may impact on the financial viability of these developments. These contributions could be taken under the current provisions of the Plan, however the contribution amounts are either significantly below the actual costs of infrastructure that have been determined through the development of Council's DC Policy, or the methods of calculation vary from that in the Council's DC Policy. The approach taken is to produce figures that specify the methodology for the calculation of financial contributions. The costs of this approach are that it may not readily be apparent from these figures what the actual contribution requirements should be. In practical terms these formulas are consistent with the methodology used within the Council's DC Policy, and the result will be a mechanism for taking a contribution at the rate outlined in the Council's DC Policy, but utilising the Plan to capture all parties that create an economic impact on the community by contributing to the demand for new infrastructure.</p> <p>Parking Impact Fees and Landscape Contributions</p> <p>This imposes a user cost on developers, but is essentially a subsidy by the community of such development, with the PIF being only one third of the cost of constructing a parking space. There will also be an additional development cost in industrial areas not meeting the street tree requirements anticipated by the Infrastructure Development Code.</p>
<p>Benefits</p>	<p>Provision of Local Reserves</p> <p>The benefits of the approach are that the purpose of the RMA is met in that the effects of intensive, new development are offset by the provision of Open Space to the level expected by the community. The method of outlining contribution amount in Council Policy and specifying formula in the Plan is that changes in open space priorities reflective of the evolving pattern of growth can be factored in to contribution amounts without needed to undertake unnecessary changes to the Plan and is discussed further below. In terms of the philosophy behind the provision of Open Space, the revisions proposed will benefit the community through ensure the quality of Open Space is a key consideration.</p> <p>This approach provides for contributions to be taken for Open Space in undeveloped urban growth areas through the Development Contributions Policy, and for contributions in established urban growth areas to be taken as Financial Contributions. The benefits of this approach are to provide for the implementation of Council's revised Open Space Level of Service Policy and provide for a consistent application of that policy through the City. The mitigation of the effects of development within established urban growth areas will be achieved</p>

	<p>by the provision of open space, in accordance with Council policy, that focuses not only on access to reserves for a greater number of residents in these areas, but on the quality of that open space and the provision of local community infrastructure necessary to serve a greater number of residents.</p> <p>Contributions</p> <p>The benefits of this approach are that contributions can be levied from all parties that generate the need to mitigate the environmental effects of development through Council's provision of infrastructure that services that development. The formula based approach provides for the implementation of Council's anticipated and programmed funding of infrastructure required to facilitate growth (as outlined in the Council's DC Policy), in a manner provided for by s108(10) of the RMA and for the purposes of meeting Council's functions under the RMA. The formula based approach provides for changes in infrastructure prioritisation and costs to be reflected in the amount of contributions required, ensuring that the amount of contribution collected is relevant to the mitigation of the effects of that development.</p> <p>Parking Impact Fees and Landscape Contributions</p> <p>The benefits of the PIF are to support the development of the City centre where the physical provision of parking and coordination of parking areas is often problematic on a site by site basis. The benefits of the landscaping contribution is to offset the impacts of industrial development, whilst ensuring that land dedicated for industrial use can be use with maximum efficiency.</p>
<p>Risk</p>	<p>Provision of Local Reserves</p> <p>The information is clear on the risk of not acting. The risk here would be a disconnect between contributions to reserves through Development Contributions under the Local Government Act 2002, and those contributions that would be required under these methods.</p> <p>A risk of this approach is the potential procedural issues with taking contributions for reserves and local community infrastructure in developed urban growth areas as Financial Contributions, combined with taking Development Contributions in undeveloped urban growth areas. In practical terms it is unlikely that this will cause procedural issues and the risk of this approach is not significant.</p> <p>Contributions</p> <p>The risk of not acting is certain as the information is clear. Without the approach outlined in this option, contributions are unable to be required for infrastructure for parties exempt from the Council's Development Contributions Policy. The risk of not acting is high, as the potential costs of infrastructure to service development by these parties will fall directly on the community, contrary to the agreed outcomes in the Council's Development Contributions Policy, and the mitigation of the effects of that development.</p>

	<p>Parking Impact Fees and Landscape Contributions</p> <p>Without providing parking impact fees there is a risk that either an insufficient amount of parking will be supplied in the City Centre, costs will be too high on the community for the provision of this infrastructure, or parking requirements will be a disincentive to the redevelopment of the City Centre. The risk of not providing for landscaping contributions is that the built form of industrial areas will negatively impact on the amenity of the City.</p>
<p>Efficiency</p>	<p>Provision of Local Reserves</p> <p>When comparing the costs and benefits of this approach, this is considered the most efficient option for the plans approach to the provision of reserves and community infrastructure. The benefits of providing for the collection of contributions to provide for quality open space relates directly to the effects of introducing more residents into urban growth areas. This cost reasonably sits with the development that is introducing more residents to these areas. Whilst two separate mechanisms would be in place, this is unlikely to be an administrative issue as the situations are clearly defined by the proposed rules in the Plan.</p> <p>Contributions</p> <p>The comparative efficiency of this option has two components. The first is an assessment of where the costs for the provision of infrastructure to service development reasonably fall – on the development generating a demand for infrastructure services to mitigate the effects of that development or on the wider community, a proportion of whom may also benefit from that development. The second is whether the approach to specify formulas within the plan rather than the current approach is more efficient.</p> <p>With respect to the first point, it is clear guidance from Council's DC Policy that the growth related costs of infrastructure should be funded by the development contributing to a demand for that infrastructure. It is also clearly contemplated by the DC Policy that parties exempt from funding this infrastructure through the DC Policy should be charged financial contributions. These are relevant considerations in preparing the Plan by virtue of s74(2)(b)(i) of the RMA. Whilst a proportion of the community may benefit from development, the economic wellbeing of the community would be disadvantaged by subsidising development by parties exempt from the DC Policy. There would be a direct financial cost to be met by the community. The benefits of the approach to require mitigation of these economic effects best meets the purpose of the RMA.</p> <p>The formula based approach of potential provisions provides for an efficient means of ensuring that contributions can be taken, remain current and not require Plan changes to amend changes in the costs of the provision of infrastructure services.</p> <p>Parking Impact Fees and Landscape Contributions</p> <p>The provision of a parking impact fee will provide an efficient means of</p>

	<p>coordinating parking provision in the City Centre and encouraging development. The landscape contribution assists the efficient development of industrial land by offsetting onsite landscape planting requirements.</p>
<p>Effectiveness</p>	<p>Provision of Local Reserves</p> <p>This approach would take effect through the formulas in Chapter 11, and the inputs into formulas updated through the annual plan process and Development Contributions Policy. There is minimal risk in this approach. It is enforceable, consistent with the RMA, and relevant to achieving the objective.</p> <p>Contributions</p> <p>The process of implementing the proposed formulas outlined in Chapter 11 will be an effective means of requiring contributions from all parties undertaking development, and ensure that the true costs of infrastructure to service growth are recognised and able to be updated as necessary.</p> <p>Parking Impact Fees and Landscape Contributions</p> <p>The PIF and landscape contribution are likely to be highly effective in implementing the intent of the plan to take contributions for cash in lieu of parking in the CBD, and to mitigate the effects of development in the industrial areas of the City.</p>
<p>Appropriateness</p>	<p>Provision of Local Reserves</p> <p>This approach is also the most appropriate method to provide for reserves and community infrastructure, thereby meeting Objective 11.1.1.1. There is minimal procedural risk for this approach. This approach will implement policy established through the LTCCP process, and will address the impacts of growth within established urban growth areas. There is a risk of not acting, providing that the approach proposed is the most appropriate means of mitigating the effects of growth.</p> <p>Contributions</p> <p>The appropriateness of taking contributions from parties exempt from the Council's DC Policy is demonstrated by the benefits over the costs of this approach. This approach will mitigate effects on the community, and is there is little risk of it not being effective, in situations where it can be implemented through the Plan.</p> <p>The formulas outlined are based around principles of fairness and equity, and appropriately reflect the costs of infrastructure related growth, relative to the proportion of cost applicable to each development.</p> <p>Parking Impact Fees and Landscape Contributions</p> <p>The benefits of this approach is clear and the effectiveness and efficiency leads to a conclusion that these are appropriate provisions for the Plan.</p>

The requirement to establish that the proposed policies and methods are the most appropriate means of achieving the objectives, with regard to efficiency and effectiveness, suggests a comparative analysis is required. To establish this test, reasonable alternatives have been identified for each group of policies and methods.

<p>Alternative 1 – Title of Alternative Approach</p>	<p>Relying on the LGA Development Contributions Policy</p>
<p>Costs</p>	<p>Provision of Local Reserves</p> <p>Utilisation of the DC Policy may not result in the full collection of costs associated with the provision of reserves and community infrastructure to meet the demand of growth in established urban growth areas.</p> <p>Contributions</p> <p>The costs of this approach is that Council will be unable to address the effects of growth related costs of development undertaken by parties exempt from the Local Government Act 2002, or have the ability to require updates to the contribution levels specified in historic consents (those consents issued prior to the DC Policy coming into effect on 1 July 2004 and subject to a condition enabling review under s128 of the RMA). This means the mitigation of the effects of this development will fall directly on the community.</p> <p>Parking Impact Fees and Landscape Contributions</p> <p>It is possible to take Development Contributions for parking impact fees and landscape planting contributions, however as a mitigation of an effect dealt with by provisions of the plan, this mitigation measure is closely linked to the development control process under the Plan. The potential costs are the separation of this consideration to the consideration of development under the Plan.</p>
<p>Benefits</p>	<p>Provision of Local Reserves</p> <p>As with contributions in general terms, this approach provides for a consolidated location of contribution amounts.</p> <p>Contributions</p> <p>The benefits of this approach are to reduce the costs of development for parties exempt from the Council's DC Policy, and to provide for a consolidated approach to contributions within the Council's DC Policy.</p> <p>Parking Impact Fees and Landscape Contributions</p> <p>As with contributions in general terms, this approach provides for a consolidated location of contribution amounts.</p>
<p>Risk</p>	<p>Provision of Local Reserves</p> <p>There is a degree of uncertainty whether the funding of contributions for</p>

	<p>the Open Space Level of Service Policy in established urban growth areas can be sustained under the provision for Development contributions through the Local Government Act 2002. This risk is not insignificant, and the potential consequences of under funding are significant.</p> <p>Contributions</p> <p>The risk of this approach is high that a significant under collection in the costs of growth related infrastructure will occur due to the exemption of parties from the Local Government Act 2002, or lower than current contribution levels specified in historic consents (those consents issued prior to the DC Policy coming into effect on 1 July 2004 and subject to a condition enabling review under s128 of the RMA).</p> <p>Parking Impact Fees and Landscape Contributions</p> <p>There is limited risk in taking parking impact fees under the DC Policy.</p>
Efficiency	<p>Provision of Local Reserves</p> <p>This approach would be efficient in the collection of contributions for reserves and community infrastructure and provide for administrative simplicity.</p> <p>Contributions</p> <p>This alternative is likely to be inefficient at capturing the full costs of growth, given the statutory exemptions from the DC Policy, and the insufficient provision for financial contributions in historical consents.</p> <p>Parking Impact Fees and Landscape Contributions</p> <p>The DC Policy would be a relatively efficient means of collecting parking impact fees and landscape planting contributions.</p>
Effectiveness	<p>Provision of Local Reserves</p> <p>There is a question of certainty in the application of development contributions to established urban growth areas for the reserves level of service approach based on accessibility and quality of open space. There is a corresponding risk that this approach would not be effective.</p> <p>Contributions</p> <p>There is a certain risk that this approach would be ineffective in securing contributions from parties exempt from the DC Policy. There are benefits to the community, consistent with the both the stated purpose of financial contributions and the guiding purpose of the RMA, for the collection of contributions from parties exempt from the DC Policy.</p> <p>Parking Impact Fees and Landscape Contributions</p>

	The location of these provision in the DC Policy is likely to be effective.
Appropriateness	<p>Provision of Local Reserves</p> <p>Whilst this approach could be efficient, the question over effectiveness is a risk that could undermine this approach.</p> <p>Contributions</p> <p>This position is inconsistent with the principles of Council's Development Contributions Policy. This approach carries significant risk that costs of development would impact on the well being of the community.</p> <p>Parking Impact Fees and Landscape Contributions</p> <p>Whilst this approach could be appropriate, it is considered more appropriate to utilise the alternative of relating these fees to the land development process of the Plan provisions.</p>

Alternative 2 – Title of Alternative Approach	Funding contribution shortfalls through rates
Costs	<p>Contributions</p> <p>The costs of this approach are to pass the costs of growth related infrastructure generated by parties exempt from the Local Government Act 2002, or the costs of under collection due to lower than current contribution levels specified in historic consents (those consents issued prior to the DC Policy coming into effect on 1 July 2004 and subject to a condition enabling review under s128 of the RMA). These costs either directly borne by the community, or contributing to higher costs of development for others.</p> <p>Reserves and Community Infrastructure</p> <p>Significant costs would likely be passed on to the community to achieve the Council's Open Space Level of Service Policy within established urban growth areas.</p> <p>Parking Impact Fees</p> <p>Significant costs would likely be passed on to the community to achieve the reasonable provision of parking within the CBD, the need for which is generated by development in the CBD.</p>
Benefits	<p>Contributions</p> <p>The benefits of this approach are to provide subsidised development and so lower costs for parties exempt from the Local Government Act 2002, or subsidise the costs of implementing historic consents (those consents issued prior to the DC Policy coming into effect on 1 July 2004 and subject to a condition enabling review under s128 of the RMA)</p> <p>Reserves and Community Infrastructure</p> <p>The benefits of this approach are to provide for reduced costs for infill development in established urban growth areas.</p>

	Parking Impact Fees The benefits of this approach are to provide for reduced costs for development in established the CBD.
Risk	The risk of a significant cost to the community from subsidising infrastructure costs of some forms of development is high through this alternative.
Efficiency	The issue of funding infrastructure through rates has been considered at length through the Council's consideration of funding mechanisms and the development of the DC Policy. This is likely to be inefficient in terms of meeting the purpose of the RMA due to actual effects on the economic well being of the community.
Effectiveness	There is a known and clear risk that this approach is financially unsustainable given that, as outlined in the 2009-2019 LTCCP, the community is unable to fund growth related infrastructure and so this approach is likely to be ineffective and result in the effects of development not being addressed. This approach is also contrary to the adopted philosophy of the DC Policy that growth pays for growth.
Appropriateness	This approach would be ineffective, contrary to adopted Council Policy, and there is a significant risk that the effects of development would not be suitably addressed. This approach does not promote the purpose of the RMA.

For the proposed policies and methods, the following EREs are anticipated:

- *The costs of growth are mitigated;*
- *Development in the city centre provides sufficient parking without compromising development opportunities or imposing an undue cost on the community;*
- *Landscape planting mitigates the effects of development in industrial areas.*

4.2.3 Monitoring Proposed Plan Provisions

ERE	Indicator	Evaluation of Plan Effectiveness
<i>The costs of growth are mitigated;</i>	Projections of anticipated funding from development contributions in the LTCCP are realised.	Needs to be qualified by the rate of growth and whether this occurring at the rate anticipated.
<i>Development in the city centre provides sufficient parking without compromising development opportunities or imposing an undue cost on the community;</i>	Rate of development measured by building consents granted in the City Centre.	Some interpretation of any disincentives/incentives from the PIF system.
<i>Landscape planting mitigates the effects of development in industrial areas.</i>	Assessment of amount of landscape planting undertaken/commissioned using landscape planting	As per indicator.

	contribution funds.	
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5. RECOMMENDED OBJECTIVES, POLICIES AND METHODS

The recommended objectives, policies and methods are:

Objective 11.1.1.1 is to be implemented through 11.1.1.1.1 Policy - Mitigation of the Costs of Growth on Economic Wellbeing, 11.1.1.1.2 Policy – Funding of Infrastructure, 11.1.1.1.3 Policy – Funding of Services, 11.1.1.1.4 Policy - Fair and Equitable Contribution, 11.1.1.1.5 Policy – Intergenerational Equity, 11.1.1.1.6 Policy – Cost of Capital, 11.1.1.1.7 Policy – Relevance of Financial Contribution and Review of Costs, 11.1.1.1.8 Policy – Provision of Land, 11.1.1.1.9 Policy – Unforeseen Impacts, 11.1.1.1.10 Policy – Recreation Demands in Established Urban Growth Areas, 11.1.1.1.11 Policy – Allocation of Costs.

These policies are implemented through the methods of:

- Taking development contributions under the LGA;
- Providing for the taking of financial contributions for parties exempt from the Council’s development contributions policy;
- Enable the review of historic conditions of resource consents where those consents have not been implemented and contributions not yet paid;
- Provide for the taking of local reserve and community infrastructure contributions as financial contributions in existing urban growth areas;

Provide for the mitigation of effects through financial contributions in circumstances of coordinating parking supply in the City Centre, mitigating industrial development in the industrial zones, and the mitigation of unforeseen effects such as bringing forward infrastructure projects.

6. NOTIFICATION AND RECOMMENDED DECISIONS

This section to be completed following hearings.