



Far North District Council

Development Contributions Policy

25 June 2015

DEVELOPMENT CONTRIBUTIONS POLICY

Introduction

Since 2003 the Far North District Council has operated a Development Contributions Policy for a range of infrastructure including:

- Roading
- Stormwater
- Sewerage
- Water
- Community Infrastructure

Development Contributions are based on two fundamental pieces of information, the amount that Council is planning to spend on new infrastructure to address growth needs and the level of growth anticipated over the next ten years.

Growth

Since 2003 the level of growth in the Far North has continued to decline from a high of more than 1,000 new lots being created in 2004/05 to less than 60 in 2013/14. Current indications are that this low level of development is likely to continue for some time.

This view has been reinforced by recent census figures which show very little overall population growth in the district since 2006.

Expenditure

In the policy's early years Council planned and undertook significant levels of capital expenditure to address anticipated growth demands.

Because of the changed development patterns there is no longer the same imperative to provide new infrastructure to meet growth demands. This means that Council's focus is now on the renewal and upgrading of our aging infrastructure.

Proposal

As a means of encouraging development and growth in the Far North, Council is proposing to remove Development Contributions as an effective funding tool. Council is therefore proposing to remove the requirement to pay Development Contributions for the time being.

This proposal will be achieved through an amendment to the Development Contributions Policy as discussed below and in the background papers available on Council's website.

The Local Government Act 2002 requires any amendment to Council's Development Contributions Policy be consulted on in accordance with the provisions of Section 82 of that Act.

Council has considered this proposal in the light of its Significance and Engagement Policy and has determined that this consultation should take place concurrently with the consultation on the Long-term Plan with the community at large and in particular with developers and submitters who have commented on recent Development Contributions Policies.

Background information

Changed development patterns

It has become apparent that the level of growth which occurred in the first half of the 2000s has curtailed primarily as a result of the changes to the worldwide economies. This has resulted in a dramatic slowdown in the level of new developments being created in the Far North.

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Presented below is a graph showing the number of new lots that have been consented since the first policy was introduced. As can be seen these peaked in the Bay of Islands-Whangaroa in 2007 but otherwise have been in continual decline almost since the policy was first introduced.

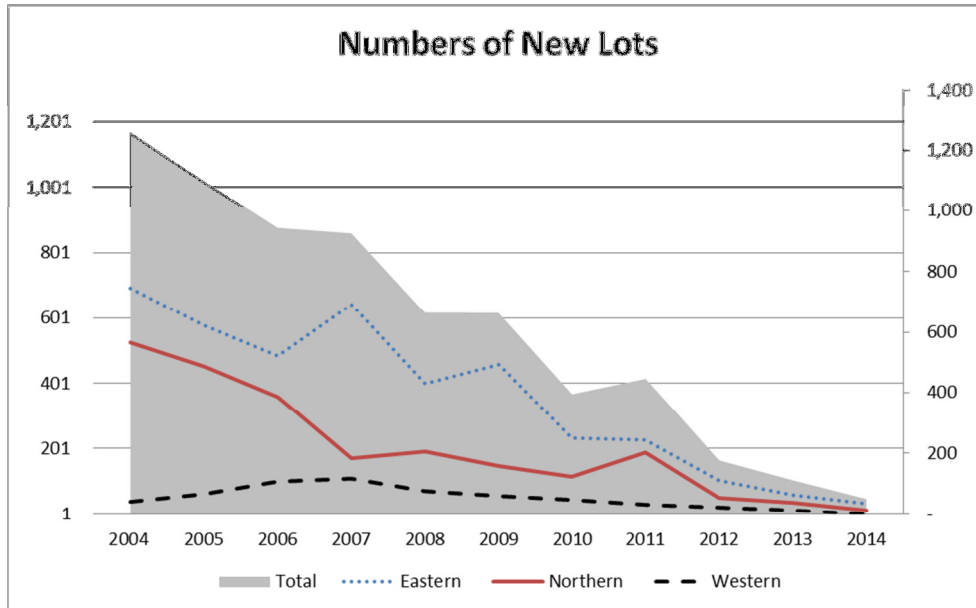


Figure 1 - Numbers of Lots Created 2004-2014

What is of greater importance is that many of the consents granted during the policy's early years have never actually been implemented (by final activation of the subdivision). The reason for this is that Council may grant a subdivision consent but it is not until the developer wants to obtain title that the lots are actually created. In many instances developers have chosen not to proceed with their developments meaning that there is no longer a requirement to pay the Development Contributions.

Growth Expenditure

As part of its planning processes Council has to take account of anticipated growth and, in many instances, provide new or upgraded infrastructure in advance of the growth occurring. In other words, Council spends money providing increased capacity to cope with growth. Where a problem occurs is when monies have been spent developing new infrastructure to address anticipated growth demands.

The Local Government Act requires councils to plan for the future and to ensure that its infrastructural will cope with changing development patterns. The purpose of Development Contributions is to provide funding for that part of the new infrastructure that is designed to meet with growth demands. This might be in providing greater capacity for existing infrastructure such as sewerage, water or roading. Or it might be in building new infrastructure to meet growing community needs. Because of the time it takes to plan and build new infrastructure, much of this work is undertaken in advance of the growth actually occurring.

Whilst the legislation does allow Council to recover monies that have already been spent on growth related infrastructure, this can only realistically occur where developments are taking place. As is shown above, there is now very limited new development in the district so Council has to reconsider how to address this funding shortfall.

Alternatives

Essentially Council has three alternatives, it can continue to rely on development contributions to fund the expenditure that has already been committed and any new growth

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related expenditure or it can decide to cease charging contributions for the time being and fully fund the deficit from borrowings.

These options are discussed below:

Option 1 - Retain Development Contributions

As is shown in Figure 1 the district is currently experiencing very low levels of growth and if the current development contributions policy is retained, this low growth is anticipated to continue for some time.

Because of this limited growth it is now difficult to justify any significant expenditure on new growth related infrastructure, but some investment continues in the 2015-2025 Long Term Plan.

Option 2 - Cease Charging Development Contributions

As has been explained above, development contributions can be an impediment to development and growth. Removing the requirement for development contributions is a positive step Council can take to promote and encourage growth in the Far North.

It is also recognised that once market conditions start to stabilise this district may, once again become an attractive proposition for development and Council is keen to operate policies that are supportive of development. This means that the broad brush Development Contributions Policy that has operated over recent years may no longer be appropriate. Instead, there may be a justification for a much more targeted policy once conditions become more favourable.

In addition to changing development patterns, this more targeted approach is also supported by the recent changes to the legislation where there is a need to show a much closer nexus between growth and development requirements.

Option 3 - Cease Charging Development Contributions but Negotiate Development Agreements for Significant Developments

A development agreement enables Council and the owner of a significant development to negotiate an equitable contribution for the impact of its development on public infrastructure.

Conclusion

Council is keen to remove any perceived barriers to potential development because it recognises that this is vital to the enhancement of the district.

Council recognises that once conditions change, Development Contributions may once again be a useful funding tool but this is likely to be in a much more focussed manner.

For these reasons Council proposes to cease charging Development Contributions from 1 July 2015 but to signal that it will negotiate development agreements for significant developments where there are significant infrastructure impacts from the development.

Development Contributions Policy Statement

Pursuant to Local Government Act 2002 Section 102 Council adopted a Policy on Development Contributions on the following basis

For the term of this Policy Council will not require Development Contributions

Note: Development Contributions in respect of development consents granted prior to 1 July 2015 remain payable in accordance with the policy applicable at the time that the consent was granted.