

WAIMAKARIRI DISTRICT COUNCIL

Submission to Productivity Commission re: Housing Affordability Inquiry

1 Summary

The main points in this submission are:

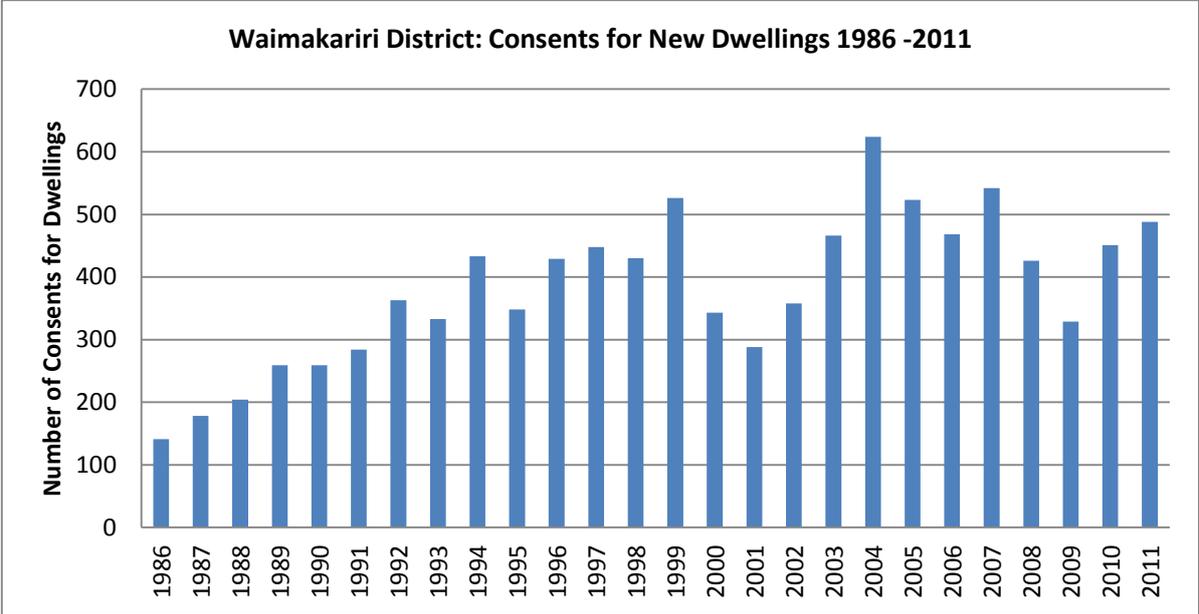
- An introduction to the District that highlights the extent of growth that has occurred in recent years
- Concern about the description of the home building industry as a “*cottage industry*”
- A request for a comparative analysis of the cost of new dwellings across New Zealand similar to the Australian study cited in the Draft Housing Affordability Report
- A description of the Council’s approach to the management of greenfields development
- A discussion of the value of the ability to levy Development Contributions as a means of funding long-term comprehensive infrastructure developments
- The implications of the GST component of local authority rates, which are seen as part of overall housing affordability, and a suggestion that consideration be given to a central government transfer of funds to local government equivalent to the sum received in GST from the respective local authorities.
- Support for the continued provision of social housing by Housing New Zealand Corporation to ensure equitable distribution across New Zealand, and a reinforcement of the Corporation’s recently relinquished role in providing social service support for those in its accommodation that need such assistance.
- A recommendation that central government monitor the availability of reasonably priced rental accommodation in the light of recent changes to depreciation and taxation with respect to income from rental accommodation in the hands of individual landlords, and if the situation deteriorates develop a policy response that does not compromise the overall taxations system.

2 Introduction

The Waimakariri District lies to the north of the Waimakariri River in North Canterbury. The District occupies some 225,000 hectares. It extends from Pegasus Bay in the east to the Puketeraki Range in the west and is bounded by to the north by the Hurunui District.

The District was created in 1989, and involved the amalgamation of the Kaiapoi Borough, the Oxford County, the Rangiora District (incorporating the Eyre County), Rangiora Borough, and the southern part of the Hurunui County. At amalgamation the population of the new District was approximately 27,800 and by 30 June 2011 the estimated resident population had grown to 48,600 people. Approximately 60 percent of the District’s population currently lives in its five main urban areas, while the remaining 40 percent of its people live in smaller settlements and the rural area. The Council anticipates that by 2021 the area will have a population approaching 60,000 people.

At the outset the Waimakariri District Council recognized that one of its major challenges would be the management of growth and associated development. The following graph showing the number of building consents for new dwellings that have been processed by the Council and its predecessors since 1986 illustrates the extent of the growth pressures that the Council addressed over the last 20 – 25 years.



The Council’s interpretation of the concept of housing affordability is a broad one, taking into account both the cost of purchasing an existing or new home and the on-going costs of home ownership, particularly the cost of rates charged by local authorities. It also recognized that house prices are influenced by a range of factors such as the availability of finance for home mortgage money at relatively low interest rates, and the availability or otherwise of other financial instruments for people wishing to invest their savings. In particular, the impact of the 1987 share market crash and subsequent fluctuations have dissuaded many from participating in the share market. The more recent failures of many of New Zealand’s non-banking financial institutions has also narrowed the range of options for savers and made housing appear an attractive investment.

In preparing its submission to the Housing Affordability Inquiry Draft Report, the Council has focused on those aspects of its activities that are highlighted in the report and presents its perspective on these draft conclusions. There are also some issues concerning the provision of satisfactory affordable housing solutions for specific “sub-markets” or sections of the population raised in the report that are relevant to the wider responsibilities of the Council, and this submission also comments on these. The section of the Summary Draft Report and/or the full Report that has prompted the Council’s comments is referenced in each section of this submission.

2 Comments

2.1 Re: Summary p. 7 – Residential building industry

The summary suggests that the residential building industry is “*essentially a fragmented ‘cottage industry’ dominated by very small independent builders constructing bespoke homes*”.

Reference to the home building industry in the Draft Report as a “*cottage industry*” would appear to be a more accurate reflection of the state of the home industry 20 – 30 years ago than it is today, at least as far as it is represented in the Waimakariri District.

The Council’s Building Unit Manager estimates that approximately 40 percent of the dwellings at present being constructed in the Waimakariri District are being built by the 10 home building companies working in the District. He indicates that this percentage is likely to increase to 50 percent over the next three years, influenced in part by the difficulties that individuals are having obtaining insurance in the wake of the Christchurch/Canterbury earthquakes.

From the Council’s perspective those involved with building new homes fall into three groups:

The home building companies, some of which are offering land and building packages and are involved with the development of the lots as well as the building of the new dwelling. Others are not involved with site development.

The boutique builders who are involved with building homes designed by architects or architectural drafts people. It is acknowledged that the cost of homes built by these builders is likely to be higher than those built by a home building company, but it would appear that clients are willing to pay the additional cost for the quality of the product. These builders are also involved with the extension and alterations side of the home building industry.

The individuals who choose to identify themselves as the both the applicant and the builder, and may well manage the building of their own homes and offer “labour only” contracts.

2.2 Re: Draft Report p.102 – Comparative cost structures

The Council found the analysis of costs across the major Australian cities very informative, and would like to see a similar analysis of costs for the various regions of New Zealand in the final document. The inclusion of this information from Australia highlights one of the main overall deficiencies of the Draft document, i.e. the lack of a systematic analysis of the cost of new home building across the country to show any differences, if these exist.

The advice from Fletcher Building that the cost of land accounts for a bigger share of the average cost of a new home, and that this could be in the vicinity of 40 – 46 percent is noted. An analysis of the valuations for recent established medium price range sections of 600m² and dwellings of about 200m² in the Waimakariri District also shows land values in the vicinity of 40 percent of the total.

The concept of “raw land” cost which appears in the Australian analysis is also of interest, as it highlights the issue of the cost of the land prior to the commencement of development in a greenfields situation. In at least one instance in the Waimakariri District, a substantial area of rural land adjacent to one of the District’s main urban area changed hands on more than one occasion after its purchase from the farmer, and on each occasion for a substantially higher price. This occurred despite the availability of substantial areas of land in the District

available for development, which suggests that the issue of speculation in land with development potential is not solely linked to the shortage of land zoned for the purpose as suggested in the analysis of the Auckland market (Box 17 p.96). Clearly, there is an issue with developers “land banking” by acquiring land with development potential, sometimes well in advance of rezoning, and then managing the release of sections on to the market to, in part, maintain prices.

In raising the issue of comparative costs between Australia and New Zealand, it is also unclear whether the developer’s profit margin is included in the table in Box 18 p.102, or whether the graph only addresses the direct input costs of development. Clarification of this matter would also assist in developing a full understanding of the situation with respect to the cost of development in New Zealand compared with those across the Tasman, and the extent to which this is contributing to the relatively high prices being paid for houses by New Zealanders.

2.3 Re: Summary p.24 and Draft Report p.106 - Recommendation 7.4

Recommendation 7.4 calls upon territorial authorities to “*adopt a strategy that allows for both intensification within existing urban boundaries and orderly expansion beyond them.*” When faced with the challenge of managing growth in the 1990s the Waimakariri District Council adopted a District Development Strategy (DDS), which involved the Council using its role as a utility service provider to influence the directions of development. This also involved extensive scoping of the suitability of land around its main urban areas that could become available for development, and public consultation concerning the preferred direction for the District’s towns. The results of this work provided the public and Council staff with a good understanding of what was likely to happen as far as greenfields development in the District was concerned. Areas identified under the umbrella of the DDS were rezoned on submission from the land owners to the Proposed District Plan notified in June 1998, underlining the Council’s approach that development was a partnership between it and landowners willing to accept the risks associated with their development.

Within this framework, the Council has focused on working closely with willing landowners to facilitate development, and to minimize delays through regulatory or planning processes. At a practical level, Project Advisory Group (PAG) meetings are offered to all developers contemplating undertaking a development, and are attended by staff from each of the Council units that will be involved with the proposed development. These meetings provide the developer with an opportunity to explain his/her concept to the Council, and for the staff members involved to indicate that matters that they consider will need to be attended to by the developer from the Council’s perspective. This can be seen as a “no surprises” approach to addressing the work that will be done by the developer and/or the Council to achieve a satisfactory development. From this point onwards, the speed of development is largely determined by the developer, although there may be some delays or requirements for staging, to allow the links to be established between the existing utility services and/or the development of additional capacity required to service the entire subdivision. This will in turn depend on the scale of the development, and the extent to which new sewer lines or similar are required to accommodate the development compared with the opportunities that may be available to allow the new lines to connect directly into the existing network.

Following the determination of the Urban Limits under the Greater Christchurch Urban Development Strategy and Proposed Change 1 to the Canterbury Regional Policy Statement (now Chapter 12A) the Council has continued to provide a lead in shaping development on the ground. In 2009, for example, the Council’s Resource Management and Regulation Committee approved Structure Plans for areas to the east and west of those already being

development at Rangiora. These plans were described as “*A land, housing, subdivision and development guide*”. The objectives of Structure Plans were given as:

- *To facilitate and manage growth and development*
- *To guide and inform development proposals*
- *To address relevant development issues*
- *To determine key infrastructure requirements*

As with the earlier work associated with the development of the District’s towns in the 1990s, those immediately affected, including the land owners in the areas covered by the Structure Plan and the general public had a opportunity to comment on the provision of these recent Structure Plans. See http://www.waimakariri.govt.nz/Libraries/Public_Documents

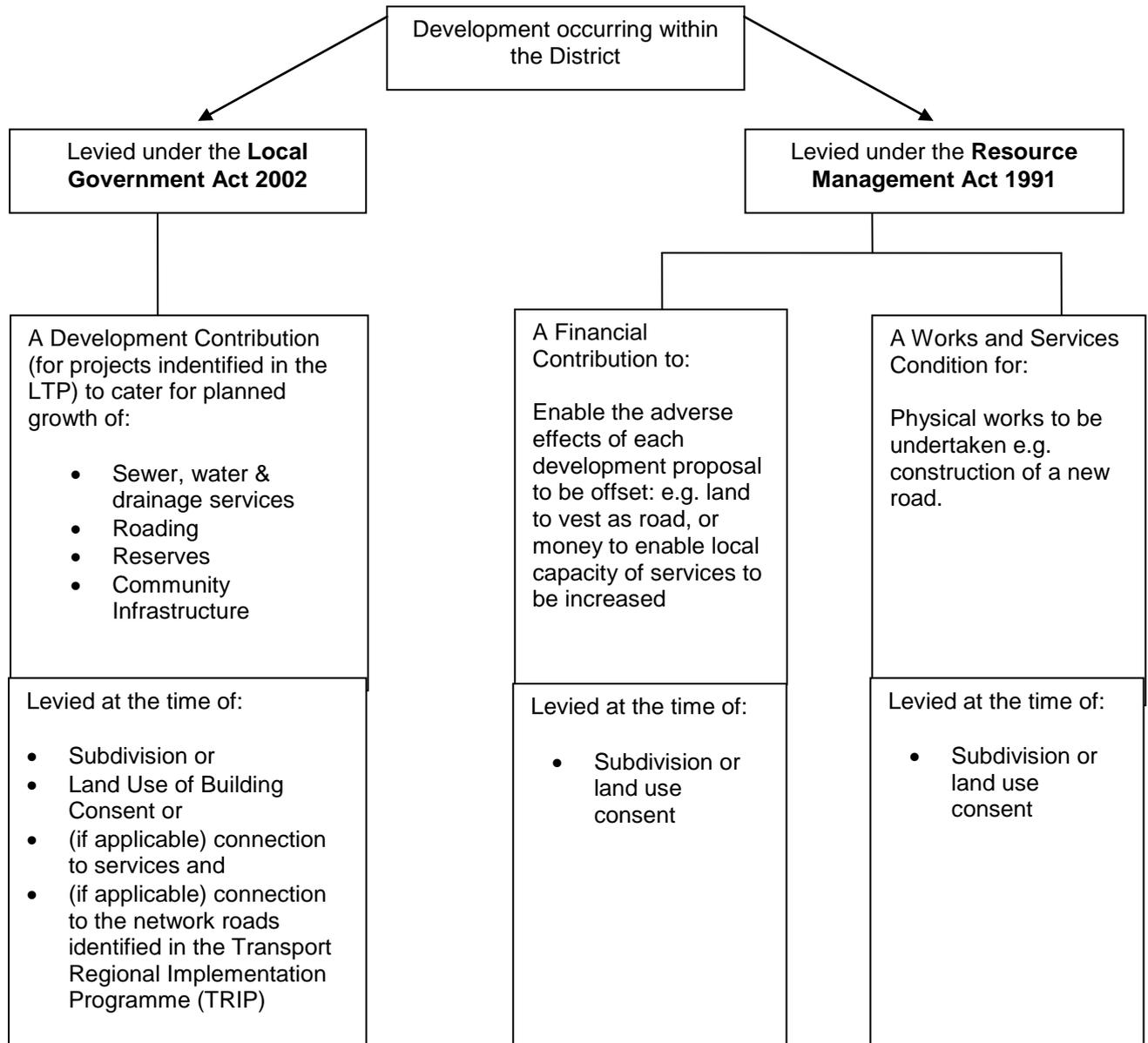
The Council acknowledges that, in recent times, there have been two notable cases where Greenfield development has been held up in the planning process, and in both cases these resulted from challenges by the Canterbury Regional Council (CRC). The CRC decision to challenge the Council’s decision to rezone land for Pegasus, the new town to the north east of the District, at the Environment Court resulted in \$300,000 costs awarded against the Regional Council, and also imposed significant costs on the Waimakariri District ratepayer. While it did not reach the Environment Court, the issue of whether residential development should occur under the furthest extremity of the 50 dBA Lnd noise contour for the Christchurch International Airport, which was finally settled by Minister Brownlee under the Canterbury Earthquake Recovery Act, also resulted in significant delays in development and imposed additional costs for the Waimakariri District ratepayer.

In this context the Greater Christchurch Urban Development Strategy has provided the Waimakariri District with the ability to continue to manage development in a coherent and constructive manner, in conjunction with the other authorities in the sub-region. It does not, however, see it as its role to “*develop strategies to promote adequate competition between developers for the right to develop land*” as recommended in the Draft Housing Affordability Report.

2.4 Re: Summary p.26-27 and Draft Report Chapter 8 – Development Contributions

The Waimakariri District Council considers that development contributions (DCs) provide an important method for ensuring the efficient provision and funding of infrastructure to meet the long term requirements of its area. These also provide the basis for the equitable distribution of costs between the owners of existing dwellings and the developers/builders of new dwellings that place additional demands on an area’s utility services.

The discussion of development contributions versus financial contributions (Draft Report p.112 – 114) does not clearly recognise the differences between the two, and the Council considers that it is important that this be clarified in the Productivity Commission’s final report on housing affordability. In view of this, the following table which appears in the introduction to the Council’s Development Contributions Policy (from the Waimakariri 2009-19 Long Term Council Community Plan) sets out the differences.



Waimakariri District Council's view is that the methods for applying these two types of contribution are clearly set out in the legislation, and that there is no need for further guidance documents to be developed as suggested in the Draft Report (recommendation R8.1 p.124). The legislation is also clear that DCs and Financial Contributions must not be levied for the same purpose, i.e. "double dipping" is not permitted, and that "nexus" the link between the service for which the charge is levied and the beneficiary must be demonstrated. It should also be recognized that it is only those territorial authorities that are involved with growth related infrastructure or community facilities development that will be in a position to levy DCs.

The value of the ability for Council's to levy DCs is illustrated by the Waimakariri District Council's experience in developing its Eastern District Sewer Scheme. This is a large scale scheme that connects all the main urban areas in the eastern part of the Waimakariri District into a single scheme with the treated effluent being discharged via an ocean outfall. It was designed both to address current difficulties associated with the Rangiora sewer scheme and to accommodate anticipated growth. From the Council's perspective, the ability to levy DCs under the Local Government Act 2002 to fund the growth component of this scheme was an

important consideration in the decision to proceed with the development, as it provided reassurance that a method was available to raise the revenue needed to meet the loan commitments, and minimise the risk to existing ratepayers.

The Council's 2010/12 Development Contributions Policy for Sewer is set out in Appendix 1. It shows the level of detail associated with this Policy. The variable rates charged for the different outline development areas relate to the extent of the works in each area that are being undertaken by the developer, while each connection to the ocean outfall and sewer treatment plants attracts a standard charge. It also addresses the contributions payable under existing agreements, and those payable for new connections in areas such as Oxford, which is outside the Eastern District Sewer Scheme.

2.5 Re: Draft Report p.133 – 134 – Impact of cost of regulation

The draft report focuses a good deal of attention on the cost of regulation of the building industry by Councils, and Table 9.1 cites the 2011/12 breakdown of consent charges for the largest of New Zealand's territorial authorities. The Report suggests that "*smaller BCAs may suffer from diseconomies of scale*" [emphasis added]. A review of the Waimakariri District Council's charges for 2011/12 suggests that its charges are comparable with the lower end of scale indicated by the examples given. When considering the performance of territorial authorities the inclusion of speculative statements using terms such as "*can*" and "*may*" are often unhelpful, and should be replaced by specific examples if there are grounds for concern over a matter such as the issue of the impact of the scale of the consenting authority on amounts charges.

Attention is also paid to the ability of consenting authorities to "stop the clock" if difficulties are encountered with plans. In this case, as with applications for resource management consents, the quality of the documentation presented to the consenting authority is crucial. If the documentation is thorough then there is little likelihood that more information will be required. Even if more information is required and this is justified, the total time taken to process the consent will also depend on the time taken by the client to provide the information sought.

In addition, the Report suggests that the regulatory process "*can also impede innovation and misallocate risk*" [emphasis added]. This again is a sweeping statement which, in the light of the impact of the building industry failures with respect to the construction of water tight homes in recent years, is difficult to accept from a territorial authority perspective. Ratepayers across New Zealand are being called upon to carry the costs associated with the liability carried by Councils with respect to leaky homes, while many of the construction companies have long since ceased to exist. In addition, the government agency which carried a lot of responsibility at the time (the Building Industry Authority) was abolished by the government as soon as liabilities for leaky homes began to be identified. The Council welcome's the Report's reference to the Society of Local Government Managers submission that supports the conservative approach to their regulatory role being taken by territorial authorities. In view of overall affordability, the extent of the emphasis on the cost of regulation is somewhat surprising. A review of recent consent granted by the Waimakariri District Council suggests that its charges for building consents including the issuing of a project information memorandum (PIM), the granting of the consent, site inspections and the issuing of a Code Compliance Certificate (CCC) represents in the range of 1.2 – 1.6 percent of the estimated value of the building work being consented.

2.6 Re: Summary p.22 – The implications of GST

The Council accepts the conclusion drawn about whether there is scope for modifying the GST taxation system with respect to new dwellings. It sees the overall simplicity and general application of the New Zealand GST system as one of its strengths, and would be reluctant to see it become a piecemeal system with a range of exemptions designed to achieve various policy objectives.

The Council is concerned that it is not only the cost of new dwellings that is influenced by the imposition of GST, but also the on-going cost of home ownership as local authority rates also carry 15 percent GST. It notes that with the exception of roading, there is relatively little transfer of funds from central to local government in New Zealand compared with other jurisdictions. The Council requests that the Productivity Commission give consideration to the advantages of having central government return a sum equivalent to that paid by ratepayers to each local authority to that authority. This would reduce the extent to which the funding of the cost of the work of local authorities comes from rates. It would also reflect the differences in the proportion of total revenue raised via rates by each local authority.

Currently the local authorities with other revenue generating assets raise a smaller proportion of its revenue from rates than local authorities that do not have such assets. Whether a local authority has other assets which provide income that off-sets the need to raise funds by way of rates is as much an accident of history as for any other reason. A greater level of funding support for local government from central government would help to off-set other problems related to a property based tax, such as the case of people who are relatively asset rich but have modest incomes.

2.7 Re: Summary p13 – Social housing and rental accommodation

The Waimakariri District Council recognizes that the availability of social housing for those unable to meet market rentals and an adequate supply of reasonably priced rental accommodation are needed if the current problems associated with the affordability of housing are to be overcome. The Summary Report highlights overseas experience which suggests that community housing organizations are able to deliver better outcomes to tenants than government, council housing departments or private landlords.

The Council recognizes that there are opportunities for a variety of agencies and individuals to contribute to the provision of social housing, but would be reluctant to see Housing NZ Corporation (HNZC) relinquish its role of the provision of such housing nationwide. A major problem associated with the devolution of responsibility from central government agencies to non-governmental organizations is the maintenance of an equitable distribution of services across the community, and the provision of social housing is no exception. In fact, it is understood that the Waimakariri District already has fewer HNZC dwellings in its District than would be justified on a population basis, and would not like to see the situation deteriorate further because of fragmentation.

It is also noted that the Report sees the ability of community housing organizations to provide a *“complete ‘wrap around’ package of support that extends beyond just the provision of housing”* as one of the main advantages of social housing provided by such organizations. The Council accepts this conclusion, and considers that it would be advantageous if all this involved with providing social housing were able to offer kind of support. In this context, the recent announcement by HNZC that it was withdrawing its social workers from the field and thus becoming solely to a letting agency, is a concern. Many of those who find their way into HNZC accommodation are likely to have multiple social issues and there is really no reason

why central government should not provide similar “wrap around” support for the HNZA tenants who need such assistance. In fact, it would be appropriate to ensure that people living in HNZA accommodation with a need for support receives systematic “*wrap around*” social support similar to that envisaged as being likely to be provided by non-governmental providers, even if this is not provided by the government’s letting agency itself. If this does not occur, people living in state provided accommodation could be seen as significantly disadvantaged vis-à-vis others in social housing provided by others.

In addition, the Council notes that in recent years the practice of individuals seeking a low risk place for their savings, in the light of recent stock market instability and the failure of New Zealand finance companies, have turned to the purchase of second and subsequent properties and offered these for rental. In the early 2000s, this practice was seen as being one of the factors influencing the increasing the price of houses, and making it more difficult for people seeking to purchase their first home. Recently changes have been made to rules relating to depreciation and the taxation of losses from private rental accommodation in the hands of individuals, to lessen the attractiveness of offering rental accommodation from a taxation perspective.

The current trend would appear to be for lower levels of home ownership, either by choice or because they cannot accumulate sufficient funds to purchase a first home. If a higher proportion of the population will be seeking to rent in the future, it is important that the recent tax changes to remove some of the advantages that individuals saw in participating in the provision of rental accommodation do not result in the reduction in the availability of this type of housing. It would be advisable for the Commission to recommend to the Government that it monitor whether there is sufficient reasonably priced rental accommodation available to meet the demand, and if the situation deteriorates develop policies to redress this without unduly compromising the taxation system.

Appendix 1: Waimakariri District Council 2010/11 Development Contributions Policy

6.3 Sewer

The Council operates seven different sewerage schemes (areas) - Eastern District, Oxford, Swannanoa, Ohoka Meadows, Mandeville, Fernside and Loburn Lea, and while the policies and methodology for calculating Development Contributions are the same for each scheme, the actual level of contribution varies because of different growth and the level of planned expenditure. The policy differentiates between residential, non-residential and "Outline Development Plan Area" developments and there is a different basis for assessing the development contribution payable for each.

The Schedule details the different amounts applicable to developments within each area.

Need to undertake the activity	<p>The Council provides reticulated sewer treatment and disposal systems to achieve high quality public health and to minimise adverse effects on the receiving environment.</p> <p>There is an expectation from the community (including Maori) that high environmental standards will be met.</p> <p>The growth of the District and the resulting additional connections to the system will increase the demand on existing services. The Council believes it should be developing long term sustainable solutions that cater for users of today and tomorrow; therefore, any scheme it develops or extends will have a planned growth component within it.</p>	
The community outcomes to which the activity primarily contributes	<p>There is sufficient clean water to meet the needs of communities and ecosystems</p> <p>Harm to the environment from the spread of contaminants into ground and surface water is minimised</p> <p>Core utility services are provided in a timely, sustainable and affordable manner</p> <p>Harm to the environment from sewage and stormwater discharges is minimised</p> <p>There is a safe environment for all</p> <p>Harm to people from natural and manmade hazards is minimised</p> <p>Businesses in the district are diverse, adaptable, and growing</p> <p>The air is clean</p> <p>The land is healthy</p>	
The distribution of benefits	Economic	Effective and efficient sewerage treatment and disposal systems will support economic growth, which impacts on the whole community, however the individuals that are connecting to a system, will gain the direct benefits of the service.
	Social	The expansion of the systems in line with growth benefits the health of individuals and the community.

	Cultural	Effective sewerage treatment and disposal systems and practices respect the values of all sections of the community and incorporate the cultural concerns of Maori with land and works.
	Environmental	The health of the District's water resources and natural ecosystems will be better protected by reticulated treatment and disposal systems.
Duration of benefits	The reticulation, treatment and disposal systems that are being implemented over the next 10 years are anticipated to have a minimum of 35 years benefit, with any engineering solution intended to provide future benefits equivalent to the design life of the systems components, which for certain assets is in excess of 70 years.	
The impact of the activity on the current and future well being of the community	<p>The continued provision of sewerage reticulation treatment and disposal systems to meet the needs of growth will have a significant positive impact on the economic, social, cultural and environmental well being of the community.</p> <p>The capacity of the schemes allow for growth that ensures not only current users, but also future users, will benefit from the system. It is equitable that those who join a scheme should contribute to the cost of providing for that growth.</p> <p>Current users must fund the cost of additional capacity until those future users are connected; therefore it is reasonable that when those future users arrive they make a contribution to the cost of catering for that growth.</p>	
The sources of funding		
Loans	Yes	
Rates	Yes	
Development Contributions	Yes	
	For further detail on funding for capital expenditure refer to the Sewer Funding Schedule.	
Capital expenditure	The detailed worksheets (which are available for inspection), derived from the LTP, show that over the next ten years capital expenditure will be spent increasing the capacity of the sewerage reticulation, treatment and disposal systems to cater for growth in the areas served by the Schemes. It also includes past capital expenditure that specifically provided for growth.	
Calculation of contribution	<p>The contribution is calculated on the cost of the capital expenditure associated with increasing the capacity of the system, less any subsidies, less the difference between the total of the replacement cost of the existing asset (if any), the depreciated cost of the existing asset, with the total then divided by the number of lots that are planned to be serviced by the scheme. For historical costs, an adjustment is made to reflect funding costs. The result is the cost that will apply to each new lot.</p> <p>For the purposes of calculating the Sewer Development Contribution the volume flows are calculated on the size of the water inflow pipe as the outflow of sewage from a property is proportional to the inflow of water.</p> <p>The Sewer Scheme Development Contribution: All developments outside ODP areas other than the Ocean Outfall Project: Contribution per lot =</p> <p><i>In respect of future expenditure:</i></p> $((c - s) - (r - d)) \times \frac{1}{n} \times w$	

Plus in respect of historical expenditure, for each year in which capital expenditure including a growth component has been incurred:

$$((c - s) - (r - d)) \times \frac{1}{n} \times w \times \text{a multiplier reflecting funding costs}$$

Where the multiplier is calculated along the following lines for each year in which historical expenditure occurred:

$$(1 + r_{t-1}) \times (1 + r_{t-2}) \times \dots (1 + r_{t-x})$$

Where:

c = capital expenditure that includes a growth component

s = subsidies, if any

r = replacement cost of any infrastructure replaced

d = depreciated replacement cost of any infrastructure replaced

n = total estimated number of lots in the area planned to be serviced as at the end of the LTCCP period

w = water connection size factor (for developing sewer development contributions)

r_{t-a} = the funding rate applied in respect of each year from the time of the works being carried out

The Sewer Scheme Development Contribution (100% growth projects)

Developments outside ODP areas: Contribution per lot =

For future expenditure:

$$((c - s) - (r - d)) \times \frac{1}{h} \times w$$

Plus in respect of historical expenditure, for each year in which capital expenditure including a growth component has been incurred:

$$((c - s) - (r - d)) \times \frac{1}{h} \times w \times \text{a multiplier reflecting funding costs}$$

Where the multiplier is calculated along the following lines for each year in which historical expenditure occurred:

$$(1 + r_{t-1}) \times (1 + r_{t-2}) \times \dots (1 + r_{t-x})$$

Where:

c = growth component of capital

s = subsidies, if any

r = replacement cost of any infrastructure replaced

d = depreciated replacement cost of any infrastructure replaced

h = total estimated number of additional lots in the area planned to be serviced by the end of the LTCCP period

w = water connection size factor (for calculating sewer development contributions)

r_{t-a} = the funding rate applied in respect of each year from the time of the works being carried out

**The Sewer Scheme Development Contribution:
Ocean Outfall Project: Contribution per lot =**

$$((c - s) - (r - d)) \times \frac{1}{n} \times w$$

Plus in respect of historical expenditure, for each year in which capital expenditure including a growth component has been incurred:

$$((c - s) - (r - d)) \times \frac{1}{n} \times w \times \text{a multiplier reflecting funding costs}$$

Where the multiplier is calculated along the following lines for each year in which historical expenditure occurred:

$$(1 + r_{t-1}) \times (1 + r_{t-2}) \times \dots (1 + r_{t-x})$$

Where:

- c = capital expenditure that includes a growth component
- s = subsidies, if any
- r = replacement cost of any infrastructure replaced
- d = depreciated replacement cost of any infrastructure replaced
- n = total estimated number of dwelling houses in the area planned to be serviced as at the end of a period of 35 years from the date of completion of the project ①
- w = water connection size factor (for calculating water development contributions)
- r_{t-a} = the funding rate applied in respect of each year from the time of the works being carried out

The significance of the adjustment for replacement cost and depreciated replacement cost is that some assets have years of useful life left but are only being replaced to cope with the demand for extra capacity resulting from new subdivisions.

The effect of this adjustment is that if a new asset is to be replaced those causing the growth should pay for the cost of upgrading the asset as the existing asset would provide many years of future benefit and it is only being replaced because of the growth.

Conversely, for an existing asset, which is at the end of its useful life and due for replacement, people who connect in the future will only pay for the cost of increasing the system's size, not the full cost of replacing the existing asset.

<p>Outline Development Plan Areas</p>	<p>In addition to the above Sewer Scheme Development Contribution calculation, the Outline Development Plan Areas (ODPA) have an additional contribution which recognises the costs of the development of infrastructural services that are unique to that particular development. There are two formulae – one for Southbrook and the other for all other Outline Development Plan Areas.</p> <p>The Outline Development Plan Area Sewer Scheme Development Contribution (except Southbrook): Contribution per lot =</p> $((co + f - s - pc) - (r - d)) \times \frac{1}{odpa} \times w$ <p>Where:</p> <p>co = capital expenditure relating to growth in ODPAs f = funding costs in respect of historical expenditure, if any s = subsidies, if any pc = development contributions previously received, if any r = replacement cost of any infrastructure replaced d = depreciated replacement cost of any infrastructure replaced odpa = estimated number of lots planned within the ODPAs over the remainder of the LTCCP period w = water connection size factor (for calculating sewer development contributions)</p> <p>The following schedule details the actual costs relating to each Scheme.</p> <p>The Southbrook Outline Development Plan Area Sewer Scheme Stage 2 Development Contribution: Contribution per lot =</p> $((co + f - s) - (r - d)) \times \frac{1}{a} \times m \times w$ <p>Where:</p> <p>co = capital expenditure which includes a growth component f = funding costs in respect of historical expenditure, if any (Council's current policy is to fund these from rates rather than development contributions) s = subsidies or income received from other sources, if any r = replacement cost of any infrastructure replaced d = depreciated replacement cost of any infrastructure replaced m = area in m² of lot(s) being subdivided or developed a = [Total area of the Southbrook ODP Stage 2 area in m² less the area dedicated to the stormwater retention pond] less a 15% allowance for roading and reserves w = water connection size factor (for calculating sewer development contributions)</p> <p>The following schedule details the actual costs relating to this Scheme.</p>
<p>Basis for assessment for treatment and disposal costs and reticulation costs</p>	<p>Current users and future users benefit equally from the maximum capacity of a sewerage system. Based on the assumption that one current user will consume the same amount of system capacity as a future user, they should equally share the cost of providing that maximum capacity.</p> <p><u>Residential zones:</u></p> <p>The unit of demand relating to the sewerage systems is the volume of sewage to be treated and disposed off the site it is generated from. Each additional residential household adds approximately 1,380 litres of sewage per day. Growth in sewage volumes and the system's maximum capacity has been translated into a 'per lot' equivalent for the purposes</p>

	<p>of planning and calculating Development Contributions.</p> <p>Each residential lot established will be charged one Sewerage Development Contribution as per the attached Schedule. Any additional dwellinghouse or multi unit development established on the same lot will be subsequently charged a Sewerage Development Contribution as per the attached Schedule.</p> <p><u>Rural zones:</u> The contribution is assessed on the same basis as for Residential zones.</p> <p><u>Business zones (excluding Southbrook Stage 2):</u> For these lots the contribution is payable in two parts.</p> <ul style="list-style-type: none"> (i) When each new lot is created, a contribution according to the formula for Residential zone contribution will be charged. (ii) If a larger water inflow pipe is requested then a further contribution will be sought for sewerage disposal. This contribution will be in direct relation to the size of the water inflow pipe – see attached schedule for the formula <p><u>Southbrook Stage 2:</u> For these lots, the contribution is assessed based on the area of the block being subdivided or developed less the area of land used for roading and stormwater utilities.</p> <p>In calculating the area in m² of lots being subdivided or developed, the total block being subdivided or developed shall be counted.</p> <p>The funding costs associated with the Southbrook ODPAs sewer scheme Stage 2 development are met from drainage rates.</p>
Assumptions	<p>That all Residential Zone allotments produce the same unit of demand.</p> <p>That the District will continue to grow as per the assumptions set out in 3.5 Population Forecasting.</p> <p>That new infrastructural assets will be designed to allow for additional growth capacity.</p> <p>That the costs of reticulating, treating and disposing of sewage are in proportion to the volume of sewage produced.</p> <p>That no adjustment is made for geographical, sewage strength or diurnal or seasonal flow variations.</p> <p>That sewerage disposal assessment is in relative proportion to the inflow of water to the lot. A standard water connection is a 15mm pipe.</p>
Circumstances for refunds or reductions	<p>In the event that planned system upgrades, or alternative upgrades, are not undertaken, then Development Contributions will be refunded, after allowing for the costs of investigating the upgrade options and associated administrative costs.</p> <p>In the case of the Southbrook Outline Development Plan Stage 2 Area, where a subdivision results in a substantial balance block which is expected to be developed at a later date, the Council may defer charging sewer development contributions in respect of the balance block until such time as further subdivision or building or connection occurs in respect of the balance block (whichever is the earlier). This discretion will only be available where the area of the balance block is at least 50% of the area of the original block as at 1 July 2007.</p> <p>Other than as detailed above, there will be no postponements of payments or remissions of payments.</p>

Sewer Funding Schedule

	Total Capital Expenditure \$	Subsidy \$	Development Contributions	Other Funding Sources
Eastern Sewer Ocean Outfall	44,466,488	4,182,106	27%	73%
Reticulation – Kaiapoi	4,049,801	0	18%	82%
Reticulation – Rangiora	1,605,884	0	21%	79%
Reticulation - Pegasus	0	0	0	0
Reticulation – Waikuku Beach	0	0	0	0
Reticulation – Tuahiwi/Woodend	364,428	0	39%	61%
Reticulation – Woodend Beach	0	0	0	0
Reticulation – Pines/Kairaki	0	0	0	0
West Rangiora ODPA	1,179,533	0	100%	0%
East Rangiora ODPA	2,194,783	0	100%	0%
East Woodend ODPA	1,195,389	0	100%	0%
Eastern Sewer Southbrook ODPA Stage 2	1,013,035	0	100%	0%
Oxford	8,666,181	0	22%	78%
West Kaiapoi SPA (Area E)	2,527,526	0	100%	0%
West Rangiora SPA	2,326,034	0	100%	0%
Woodend SPA	1,292,472	0	100%	0%
Total		3,843,704		

Water Connection Size Factor (for calculating Sewer Development Contributions)

Water Connection Size (mm)	Development Contribution Multiplication Factor
15mm	1.0 x Standard D.C.
20mm	1.2 x Standard D.C.
25mm	1.6 x Standard D.C.
32mm	2.1 x Standard D.C.
40mm	2.9 x Standard D.C.
50mm	4.4 x Standard D.C.

The connection rate may be negotiated where the applicant can show larger pipe size is required for fire fighting or fire prevention.

Sewer Schedule

When charge levied	Scheme / Area	Basis of calculation (see Sewer Development Contributions Policy: Calculation of Contributions)	WDC Charge \$ (GST exclusive)
<p>ither:</p> <ul style="list-style-type: none"> On each new lot and/or connection granted, or On each second or subsequent dwelling or connection on pre-existing lot. Or resource consent, building consent or application for a larger service which will lead to additional demand on the sewer network, or On each second or subsequent connection or application for consent which will lead to additional demand on the sewer network. <p><i>Note: Developments in ODP areas incur Development Contributions for the particular ODP area they are in, and in addition, incur Development Contributions for the large scheme area.</i></p>	Eastern Districts	Ocean Outfall and sewer treatment plants: $((44,466,488 - 4,182,106) - (0-0)) \times \frac{1}{17,300}$	2,329
	Kaiapoi	$((4,049,801 - 0) - (0-0)) \times \frac{1}{5,375}$	753
	Rangiora	$((1,605,884 - 0) - (0-0)) \times \frac{1}{7,255}$	221
	Pegasus	$((0 - 0) - (0-0)) \times \frac{1}{1798}$	0
	Waikuku Beach	$((0 - 0) - (0-0)) \times \frac{1}{431}$	0
	Tuahiwi/Woodend	$((364,428 - 0) - (0-0)) \times \frac{1}{1,603}$	227
	Woodend Beach	$((0 - 0) - (0-0)) \times \frac{1}{149}$	0
	Pines/Kairaki	$((0 - 0) - (0-0)) \times \frac{1}{343}$	0
	Outline Development Plan Areas		
	Southbrook Stage 2	$((1,013,035 - 0) - (0-0)) \times \frac{1}{518,100}$	1.96 per m ²
	East Rangiora – Gilberthorpe Properties	$((761,113 - 0) - (0-0)) \times \frac{1}{683}$	1,114
	East Rangiora – other properties	$((761,113 - 0) - (0-0)) \times \frac{1}{683}$ + $((1,433,670 - 0) - (0-0)) \times \frac{1}{441}$	4,365
	West Rangiora	$((1,179,533 - 0) - (0-0)) \times \frac{1}{675}$	1,747
	East Woodend	$((1,179,389 - 0) - (0-0)) \times \frac{1}{286}$	4,180

When charge levied	Scheme / Area	Basis of calculation (see Sewer Development Contributions Policy: Calculation of Contributions)	WDC Charge \$ (GST exclusive)
	North East Kaiapoi	$((0-0) - (0-0)) \times \frac{1}{480}$	0
	Pegasus	$((0-0) - (0-0)) \times \frac{1}{1,800}$	0
	West Kaiapoi SPA	$((1,947,555 - 0) - (0 - 0)) \times \frac{1}{565}$	3,447
	West Kaiapoi SPA Commercial	$((579,971 - 0) - (0 - 0)) \times \frac{1}{170,000}$	3.41 per m ²
	West Rangiora SPA	$((2,326,034 - 0) - (0 - 0)) \times \frac{1}{1,800}$	1,292
	Woodend SPA	$((1,117,324 - 0) - (0 - 0)) \times \frac{1}{555}$	2,013
	Woodend SPA Commercial	$((175,148 - 0) - (0 - 0)) \times \frac{1}{87,000}$	2.01 per m ²

Note: The Council may agree to connect areas which are currently outside the sewer scheme boundaries, e.g. Outline Development Plan Areas. Development contributions will be payable based on both the Eastern Districts' calculations plus the Outline Development Plan Area calculations (if relevant).

When charge levied	Scheme / Area	Basis of calculation (see Sewer Development Contributions Policy: Calculation of Contributions)	WDC Charge \$ (GST exclusive)
	Existing agreements:	These two areas are covered by existing agreements and details of these are available from the Council's planning Unit	
	Green Street	Category B Category C	808 1,158
	Northern area		201
	Swannanoa	Connection to treatment scheme $((0-0) - (0-0)) \times \frac{1}{29}$	0
	Mandeville	$((0-0) - (0-0)) \times \frac{1}{80}$	0
	Oxford – properties in Oxford Sewerage boundary and in Oxford Sewerage rating area	Connections to treatment scheme $((1,689,000 - 0) - (0-0)) \times \frac{1}{831}$	2,032
	Oxford – properties in Oxford Sewerage boundary, but outside Oxford Sewerage rating area	Connections to treatment scheme $((6,977,181 - 0) - (0-0)) \times \frac{1}{831}$	8,396
	Fernside	$((0-0) - (0-0)) \times \frac{1}{21}$	0
	Ohoka Meadows	$((0-0) - (0-0)) \times \frac{1}{51}$	0
	Loburn Lea	$((0-0) - (0-0)) \times \frac{1}{38}$	0