

FUNDING FOR INFRASTRUCTURE TO SUPPORT DEVELOPMENT

1. In opening legal submissions, counsel for the applicant provided the Panel with details of mechanisms for funding the provision of infrastructure for the proposal. The Panel has advised that it would be assisted by further information from the Council regarding development contributions in particular. This statement addresses the Council's current development contributions policy, Council's approach to funding development in the District, the Long-Term Plan (**LTP**), Council's Infrastructure Strategy and Revenue and Financing Policy (refer links provided as Attachment 1).
2. Within my capacity as Project Delivery Manager, I have oversight of the Council's Development Contributions Policy and am part of the process of reviewing and approving Development Contributions (**DC**) on individual subdivisions. While in my previous role as Water Asset Manager I was involved in the setting of all budgets for water supply, including growth projects which required an in-depth understanding of the mechanisms by which projects are introduced in response to growth by Council, versus those where the developer is required to fund projects required for growth.
3. It is acknowledged that the required infrastructure for the development does not need to be provided now for the Plan Change to proceed. However, the Hearings Panel needs to be satisfied that the infrastructure is feasible and able to be delivered both from a technical perspective and also from a funding perspective. This statement therefore includes details regarding the Council's process for DC and funding of infrastructure for the benefit of the Panel as well as the applicant.

Executive summary

4. As the applicant has identified, the Council has not anticipated or allocated funding for any infrastructure required for the Proposal.
5. When considering any new strategic capital investment, the Council considers the cost allocation between growth, level of service, and renewal, regardless of whether development contributions are used.
6. The Development Contributions Policy (**DC Policy**) sets out the basis on which development contributions are charged. One of the objectives of its DC Policy is to share the costs of infrastructure fairly between the owners of existing properties, and the owners or developers of new properties or developments. The Council has consistently taken the approach that growth should pay for growth so has established the DC Policy to ensure that the growth-related capital expenditure identified in the LTP (future and past expenditure) is appropriately recovered from those who are directly benefiting, rather than having existing ratepayers bear all of the costs.
7. The Council can only collect development contributions for projects that are identified in the Council's budgets which then feed through to the Council's DC Policy. The DC Policy is also required to include an estimated capital cost of each asset (section 201A(1) of the Local Government Act 2002 (**LGA**)). The DC Policy would need to be amended before any DC could be collected for infrastructure for this development.
8. Before amending the DC Policy to identify assets to be funded by development contributions (in whole or part), the Council needs to be satisfied that the amendment satisfies a list of criteria.

Those criteria (discussed below) are not likely to be satisfied for the vast majority of infrastructure required for this development because in general the infrastructure proposed to service this development area would solely be required for that purpose, and not provide any wider benefit, or facilitate growth from a wider catchment.

9. The introduction of large capital budgets to facilitate growth (which would then lead to changes to the DC Policy) are subject to the Special Consultative Procedure (**SCP**) in the LGA. Amendments to the LTP are similarly subject to the SCP in the LGA.
10. Council's approach to funding infrastructure that has a growth component is that:
 - 10.1 Only strategic infrastructure, which is the high-level shared infrastructure that services large areas, is considered for funding through mechanisms such as inclusion in the DC Policy. For example, strategic infrastructure could include 3 waters trunk infrastructure, strategic or arterial roading projects, or wastewater treatment plants.
 - 10.2 Where the infrastructure is required solely for an individual development, it is funded and constructed by the developer. This is because it is the developer that is benefiting from the construction of the infrastructure, and therefore it makes sense that the developer funds and constructs this infrastructure. The requirement for the infrastructure can be included as a condition of development on a Resource Consent for the developer to complete at its costs.
 - 10.3 Where the infrastructure is required to facilitate growth on a given development site, but also has wider benefits (for example to facilitate growth in a wider catchment outside of the given development area), the growth portion of the project is included in the DC Policy.
 - 10.4 In considering the growth portion of the project, the Council considers the following as required by the LGA:
 - (a) Who causes the need for the project; and
 - (b) Who benefits from the project.
11. In my opinion, the water, wastewater and stormwater infrastructure required to service the proposal will solely service and be for the benefit of the proposal area. These costs will need to be borne by the developer, rather than funded by Council and the rate payers of the District.
12. Substantial upgrades to the transport network will also be required, in terms of roading and walking and cycle links. Council's LTP identifies a series of improvements along Tram Road to address safety improvements along this route. These improvements also have an identified growth component and are included in the DC Policy. However, these projects have not been considered in light of the additional growth proposed in PC31 and are not considered to fully address the transport improvements required to support the PC31 development. Implementation of the walking and cycling strategy is also included in the LTP, however, this budget is already fully allocated to other projects in the District. Beyond this, transport network upgrades or funding for them have not been planned for.

Development contributions

13. The Council's DC Policy is effective from 1 July 2023.

14. In order to be able to collect DCs, the Council's DC Policy must identify the project/assets for which the development contributions are intended to be used for (or have already been used for) (section 201A(1) of the LGA). Section 201A(1) of the LGA relevantly provides that of a territorial authority has determined to seek funding for network infrastructure, community infrastructure or reserves the development contributions policy must include a schedule that lists:
 - (a) each new asset, additional asset, asset of increased capacity, or programme of works for which the development contributions requirements set out in the development contributions policy are intended to be used or have already been used; and*
 - (b) the estimated capital cost of each asset described in paragraph (a); and*
 - (c) the proportion of the capital cost that the territorial authority proposes to recover through development contributions; and*
 - (d) the proportion of the capital cost that the territorial authority proposes to recover from other sources...*
15. A DC *must be used for, or towards, the capital expenditure of the reserve, network infrastructure, or community infrastructure for which the contribution was required...* (section 204 of the LGA).
16. The Council's operative DC Policy does not identify any assets for network infrastructure associated for this proposal. Accordingly, the Council does not have the ability to collect development contributions for the proposal at this time.
17. The Council's DC Policy would need to be amended before it could collect DC for the assets for this proposal.
18. Before seeking to include an asset in the DC Policy, the following process would take place to ensure the Council investment measures up to criteria established for new projects:
 - (a) The relevant Asset Manager must first assess the need for the new project and weigh this up against other drivers they consider when reviewing their budgets, to determine if there is merit in the proposal. This includes an assessment against community outcomes and strategies, public value delivered, and legislative requirements. For growth projects, the assessment process includes consideration of who the project benefits, as well as who caused the need for the work and the allocation of costs are proportional to this balance. There are several different approaches that can be used to determine cost allocation and the approach used is dependent on the type, scale, and cost of the project.
 - (b) The relevant Asset Manager will also need to consider the growth projections for the growth area relevant to each growth project. This determines the total number of additional dwellinghouses that the new growth projects will be spread over.
 - (c) The full set of budgets from each asset manager across the Council are then rolled up into a draft budget set which is then reviewed by the Council's Finance Team, before consideration by the Council's Management Team. This may lead to further iterations of the package of budgets before ultimately the Management Team approves a budget set to be presented to the Council for approval.

- (d) The Council will then approve the introduction of a budget for the growth related project that is proposed to be recovered, via DCs, either via a Draft Long Term Plan or Draft Annual Plan process, or by a special report to Council in exceptional circumstances if the budget is required outside of the Annual Plan / LTP process, and;
 - (e) The Draft Annual Plan or LTP budgets are then put out to the community for feedback, and where certain thresholds are met (i.e. for budgets of a certain scale) a SCP is undertaken to gain feedback on that specific project in parallel with the Council gaining feedback on the full Annual Plan / Long Term Plan budget package.
 - (f) The Council must then consider the feedback before making a final decision on whether or not to proceed with the adoption of the new growth budget.
 - (g) The DC Policy (and the DC schedules that sit within the Policy) must then be updated and adopted by the Council to reflect the new growth project. This is typically done in parallel with the adoption of the revised Annual Plan / Long Term Plan.
19. In the case of the 3 waters growth projects required to enable the development to proceed, it is unlikely that the criteria would be met for step a) above, let alone the following steps. This is because the growth related works are almost exclusively required for the sole benefit of the development area, and would therefore be unlikely to be recommended for inclusion in the budgets as Council funded works.
20. For transport related growth projects, only Tram Road (as an arterial road) and walking and cycling projects are considered strategic so only these projects would be considered for inclusion in the DC Policy at this time.
21. Any amendments to the budgets that feed into the DC Policy are then subject to the SCP in the LGA, either as part of the LTP or AP SCP or where they are of the required scale to trigger this outside of the LTP or AP process (typically approximately \$4 million). This means that the community also have the opportunity to have a say on what is funded through development contributions.
22. It is noted that the Council's Revenue and Financing Policy also makes reference to the Council's ability to utilise Development Contributions, however refers back to the Development Contributions Policy for further detail.
23. In short, the decision to provide funding for assets or upgrades through DCs is at the discretion of Council, following the application of established criteria. Council decisions are also subject to the SCP. There is no certainty at this stage that DC will be able to be collected to fund the provision of infrastructure for the proposal.

Council's approach to infrastructure funding

24. Council's approach to funding strategic infrastructure is to fairly allocate costs between renewal, level of service, and growth based on asset replacement schedules and provision of services. The Council takes the approach that infrastructure required for growth is fully funded by growth.
25. Where the infrastructure is required solely for an individual development, it is funded and constructed by the developer. This is because it is the developer that is benefiting from the construction of the infrastructure.

26. Where the infrastructure is required to facilitate growth on a given development site, but also has wider benefits (for example to facilitate growth in a wider catchment outside of the given development area), the infrastructure may be funded through development contributions.
27. Where growth related infrastructure is not considered to be strategic (e.g. local roads, swales, and non-trunk infrastructure), it is expected that the developer fully funds this infrastructure and vests it to the Council with completion of the development (often in stages). Requirements for this type of local infrastructure is included as conditions of development at the resource consent stage.
28. In my opinion, the water, wastewater and stormwater infrastructure required to service the proposal will solely service and be for the benefit of the proposal area. These costs will need to be borne by the developer, rather than any portion funded by Council and the rate payers of the District.
Breaking this down specifically for each of the three waters:
 - 28.1 The new water supply bores will service only the new development area, with no wider benefit outside of that area. The existing water supply source has some additional capacity already for the marginal growth that is expected on the scheme under the current zoning.
 - 28.2 The new wastewater infrastructure will service only the new development area, with no wider benefit outside of that area. The philosophy for the sizing of the wastewater infrastructure proposed by the applicant considers only demand on the wastewater infrastructure from within the development site, and there is no requirement to build in additional capacity beyond this area.
 - 28.3 The new stormwater infrastructure is intended to mitigate runoff from only the proposed development area, to make the development have a neutral impact on the downstream system. There is however no benefit outside of this area.
29. As above, in each case, the improvements required are solely for the benefit of the single developer, and in my opinion, there is no case for having these projects funded by the Council.
30. For wastewater, while there is no wider benefit of the proposed development, there is a downstream impact to the Council's wastewater system. So while DCs would not be collected to help fund the new infrastructure required as part of the development, some DCs would need to be collected from the Developer to fund capacity upgrades on the Eastern District's Sewer Scheme (EDSS) downstream of the development site. This is the case for any development that connects into the EDSS.
31. Substantial upgrades to the transport network will also be required for this proposal, in terms of roading and walking and cycle links. Council's LTP identifies a series of improvements along Tram Road to address safety improvements along this route. These improvements also have an identified growth component and are included in the DC Policy. However, these projects have not been considered in light of the additional growth proposed in PC31 and are not considered to fully address the transport improvements required to support the PC31 development. The LTP also includes implementation of the Council's walking and cycleway programme, however, as noted in Mr. Binder's Summary Statement, this funding has already been committed across other projects in the District with no available funding remaining for this area. Beyond this, transport network upgrades or funding for them have not been planned for.

32. Transport is an area that is more complex than 3 waters. The increased traffic demand which would be triggered by the development would increase the safety risks at some parts of the transport network so would necessitate upgrades. It could be considered in some cases that there is some wider benefit, if the upgrade addresses an existing deficiency at the same time as mitigating the increased risk profile triggered by the development. Having said this, it cannot be expected that the Council could part fund any and all safety improvements triggered by the development on the basis that it may provide some benefit outside of the development area. The reason for this is that there is a limited budget for safety improvements in general, and the Council cannot redirect all its safety improvement funding to the parts of the network that may be impacted by the development area, at the expense of the rest of the district. Therefore, while there may be isolated instances where there is an opportunity for the Council to contribute to transport infrastructure that may have significant wider benefits, the Council has limited funds available and competing priorities.

Long-term Plan

33. As noted previously, the Council's current LTP does not currently include growth projects with associated DC to service the development area, as it was not previously anticipated that there would be growth of this scale in the proposed area. As such, the current LTP does not make budgetary provision for the proposal, nor would it make sense for these works to be Council funded even if the growth had been anticipated, for the reasons outlined earlier.
34. As stated earlier, for any new projects to be included in the LTP, they would need to meet the criteria identified at paragraph 17 above and be consulted on with the community who will consider the projects and benefit delivered against the overall impact to rates.
35. Projects can only be considered for inclusion in the DC Policy once they are included in the LTP.

Council's infrastructure Strategy

36. The Council is required by section 101B of the LGA to have a 30 year infrastructure strategy. The Council's Infrastructure Strategy was made operative on 1 July 2021 and covers the period to 2021 – 2051.
37. As per the earlier paragraph under 'Long Term Plan' growth of this scale was not anticipated as part of the Infrastructure Strategy, and therefore provision has not been made to accommodate the infrastructure required to service the development. While there has been some provision with respect to transport for growth generally (i.e. on Tram Road), these projects did not anticipate the level of increased demand that this development would trigger.

Attachment 1 - Relevant Links

Waimakariri District Council Infrastructure Strategy and Long Term Plan:

<https://www.waimakariri.govt.nz/your-council/council-documents/long-term-plan>

Revenue and Financing Policy:

https://www.waimakariri.govt.nz/_data/assets/pdf_file/0020/28460/Revenue-and-Financing-Policy-2019-2020.pdf