

Developments come in all shapes and sizes – from adding a granny flat in the backyard to expanding a factory to building an entire shopping complex. Each in its own way adds a little more strain (and sometimes a lot more!) to existing services. The roads take more punishment; demand for water and wastewater services goes up. The list goes on.

WHY DO YOU HAVE TO PAY?

Who is to pay for the higher maintenance costs and capital spending associated with the city's growth? Council has a budgeted amount for repairs and improvements each year, so the answer is that existing ratepayers are already paying. But should ratepayers meet all of the cost of providing services to a new subdivision, warehouse or shop? The answer is no. As a matter of fairness, owners and developers must also contribute. That is why Council has development contribution and reserves contribution fees.

Revenue from these fees is administered separately to general council revenue and helps to offset the extra demand placed on council services when more residents move into an area, or when commercial and industrial land is used more intensively (which also draws in more people – customers, staff, and so on). That extra demand extends even to recreational facilities – parks, reserves, playgrounds, sportsgrounds – which is why there is a specific payment towards expanding Council's network of reserves.

These contributions are a one-off charge and separate from rates.

WHEN FEES APPLY

You will have to pay development and/or reserves contribution fees if you plan to do any of the following:

- Subdivide land (thereby creating new lots). This includes selling off part of a lot – often the backyard – to allow the building of another house.
- Build another house on a lot where there is already one.
- Build a non-residential (that is, retail, commercial or industrial) building.
- Expand the floor area of a non-residential building by more than 10m².¹
- Change the use of a non-residential building – but only if that change is accompanied by a more intensive use of the building. An example would be when a warehouse, which generally has little impact on traffic volumes and water/wastewater use, is converted to offices, which would result in a significant increase in those effects.
- Use a residential building for non-residential purposes.
- Connect new water, wastewater and stormwater services. This typically applies when you intend to sublet or sell part of a non-residential building and the part you will put up for sale or rent does not yet have services.

¹The floor area is the sum of all gross floor areas of all floors of a building or buildings on an allotment, or a proposed allotment, measured from the exterior faces of exterior walls, or from the centre-lines of walls separating two buildings.

You do not have to pay a development contribution fee if you alter or add to an existing house or flat - unless the result is a separate, self-contained dwelling.

WHEN FEES ARE PAYABLE

For subdivisions, payment is due before applying for final certification (sec 224c). In all other cases, Council encloses a provisional estimate of fees with the building consent. Payment must be made before applying for a code compliance certificate which formally confirms the building work complies with the building code.

RESERVES CONTRIBUTION

The reserves contribution is assessed on the market value of each new lot, though there is a cap of \$10,000 for residential lots, and \$5000 for rural lots. There is no cap for non-residential lots. The fee for all reserves contributions is assessed at the time of subdivision consent, but will be between 5.5% and 7.5% of the value of each additional allotment, as calculated by a registered valuer. The reserves contribution amounts are GST inclusive.

Deductions may be made based on the following:

- **Intensity of use:** The degree to which the land will be used more intensively, resulting in an increased demand for reserves and open space. A small change will result in perhaps a half percentage point reduction, whereas a land use with a significant impact will not qualify for any reduction.
- **Change of character:** The degree to which the land use will change the character of the area and whether that change will be adverse, neutral or beneficial. Once again, a slight impact on the area's character may well qualify for a half per cent.
- **Provision of open space:** Whether a development makes provision for recreational or open space, what type of space will be provided and its suitability for residents and others living or working in the area.

- **Existing reserves:** The location of existing reserves and open spaces, and whether they meet the needs of the local community.
- **Nature of land:** The topography and vegetation of the land to be used for open space – in other words the appearance of the land, the trees and plants growing there and how well that look will be preserved after the land has been adapted to its new use.
- **Reserves contribution:** Whether any reserves contributions have been made in the past 10 years. This is mainly applicable when a subdivision is opened in stages and a developer has already made contributions.
- **Improvements:** The extent of planting or other improvements to the existing and proposed open spaces and reserves, and how well those improvements have been carried out.

Council calculates any discount after assessing the development proposal and, in most cases, carrying out an inspection of the site. These deductions rarely amount to more than two percentage points. Sometimes, Council will consider an exchange of land as part-payment.

Example: Four-lot subdivision

You decide to subdivide one large lot into four lots. Council assesses the market value of the lots at \$100,000 each and the reserves contribution at 6%. But since the reserves contribution applies only to additional lots (one already exists), the calculation will be based on three lots as follows:

$$3 \times \$100,000 \times .06 = \$18,000, \text{ or } \$6,000 \text{ per lot.}$$

DEVELOPMENT CONTRIBUTION

For each newly created residential lot or dwelling, the development contribution varies depending on where within Lower Hutt city the development occurs. Different areas in the city are known as “catchments” for the purposes of Development Contributions. Each catchment has its own development contribution amount. The Development Contribution Policy provides more information about the charges in each catchment.

In the case of retail, commercial and industrial buildings, the fee varies because the number of units varies according to the individual circumstances of each development. Calculating the fee is based on the new floor area – or extra floor area in the case of an addition – as well as any new (or additional) impermeable surfaces.²

The calculation will also be adjusted according to whether the development is retail, commercial or industrial.

Using the calculator above, Council assesses non-residential developments as having a certain number of units. It is not a single number, but varies according to the four components – roads, water, wastewater, stormwater and urban public spaces – that make up an equivalent household unit. Thus, in the example overleaf of a commercial development with a floor area of 540m² and impermeable surfaces of 650m², it is considered to have 10.8 units for the purpose of the roads component (540 divided by 50); 2.4 units for the purpose of the water component (540 divided by 225); and so forth. By multiplying these four results with the financial charge for each (based on the catchment the development falls within – in the example overleaf, we have used the Valley Floor catchment), and adding them up, Council arrives at the development contribution.

Calculator

Water: One unit for every 225m² of floor area

Wastewater: One unit for every 225m² of floor area

Stormwater: One unit for every 200m² of impermeable surface area

Roads: One unit for every 10m² of floor area (retail)

One unit for every 50m² of floor area (commercial)

One unit for every 30m² of floor area (industrial)

² Impermeable surfaces (such as asphalt, concrete and brick-paved areas used as parking or for unsheltered storage) place a demand on stormwater services because of water runoff and are included in the fees.

Example: Commercial development within the Valley Floor catchmentFloor area: 540m²Impermeable surface area: 650m² (540m² building plus 110m² driveway and car park)

COMPONENT	NUMBER OF UNITS		CHARGE		TOTAL
Water supply	2.4 (540 ÷ 225)	X	\$53.90	=	\$129.36
Wastewater	2.4 (540 ÷ 225)	X	\$3,604.77	=	\$8651.45
Stormwater	3.25 (650 ÷ 200)	X	\$205.11	=	\$666.61
Roading and traffic	10.8 (540 ÷ 50)	X	\$65.45	=	\$706.86
Total					\$10,154.28
GST					\$1,523.14
TOTAL:					\$11,677.42

Work out your development contribution:Floor area: m²Impermeable surface area: m² (building floor area plus areas covered by asphalt, paving, concrete etc)

COMPONENT	NUMBER OF UNITS		CHARGE		TOTAL
Water supply *Divide floor area by 225	*	X	\$ charge applicable to your catchment	=	\$
Wastewater *Divide floor area by 225	*	X	As above	=	\$
Stormwater *Divide impermeable surface area by 200	*	X	As above	=	\$
Roading and traffic * Divide floor area by 10 for retail development, 50 for commercial development or 30 for industrial development.	*	X	As above	=	\$
Total					\$
GST					\$
TOTAL:					\$

CREDITS

In many cases, you may qualify for a credit to offset your development contribution. (This does not apply to reserves contributions.) You cannot use a credit from one site to reduce your liability at another site. Credits may apply as follows:

Residential: Every residential lot created before July 1, 2006 has a credit of one unit. That means you do not have to pay development or reserves contributions if you build a house on a vacant lot created before that date. If you build two houses on such a lot, you must pay contributions on the second house.

Another example: You propose to turn six residential lots into a commercial office block. You would get six unit credits, one for each lot, when assessing your liability on the office block.

Non-residential: Credits for non-residential lots are calculated on the previous use of the land you propose to develop. If there has been no previous use, that is, the land has been vacant, there is no credit. If there was a previous use and it is similar to the one you propose, you will get a credit for that use. (This applies to the most recent use.)

An example: There is a warehouse of 250m² on a site. You propose to double its size to 500m². Your development contribution would be calculated only on the extension.

A more complicated example: You propose to convert a 400m² commercial building (two-storeys of 200m²) into eight apartments. Your credits would be as follows:

Water:	1.78 units (400 ÷ 225 = 1.78)
Wastewater:	1.78 units (400 ÷ 225 = 1.78)
Stormwater*:	1 unit (200 ÷ 200 = 1)
Roads:	8 units (400 ÷ 50 = 8)
Total credits:	12.56 units

* Remember, this calculation uses the impermeable surface area, not building floor area, which in this case is half of the floor area because it is a two-storey building and there are no other impermeable surface areas.

Self-assessment: You may submit your own assessment of what you believe to be your development contribution. Your assessment must be submitted in writing before any contribution is due and must deal with each of the five infrastructure categories that make up the calculation of development contributions. The onus is on you to prove that, on the balance of probabilities, the increased demand on infrastructure resulting from your development will be different from that assessed using the standard method described above. Increased demand means the demand created by the most intensive use of the development within 10 years of the date of lodging your self-assessment.