

# DEVELOPMENT AND RESERVES CONTRIBUTIONS

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?

Development contributions are a way to ensure that a fair, equitable and proportionate share of the cost of infrastructure required to address growth is funded by the development associated with growth.

Revenue from these fees is administered separately to general Hutt City Council (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, sports grounds – 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<sup>1</sup> of a non-residential building by more than 10m<sup>2</sup>.
- 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.

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 an additional bedroom (including rooms that could be used as a bedroom eg, an additional lounge or sleepout) or a separate, self-contained dwelling.

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<sup>1</sup>The 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.

## 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 \$5,000 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:

- **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.

NOTE: due to current land prices, most new residential subdivisions are paying \$10,000 per lot for reserve contributions.

- **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.

## DEVELOPMENT CONTRIBUTION

For each newly created residential lot or dwelling, the development contribution varies depending on where within Lower Hutt city the development occurs and the size of the new dwelling.

Assessments for smaller residential units are now discounted based on the number of bedrooms rather than floor area. See table below.

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.<sup>2</sup>

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

<sup>2</sup> 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.

### Non-residential EHU calculation – (EHU per 100m<sup>2</sup> gross floor area)

DEVELOPMENT TYPE	WATER	WASTEWATER	STORMWATER	TRANSPORT
Industrial	0.4	0.4	0.5	4.0
Commercial	0.4	0.4	0.5	3.0
Retail	0.4	0.4	0.5	6.0
Other non-residential	Special assessment	Special assessment	0.5	Special assessment

### Residential EHU Calculation

SMALL RU ASSESSMENT GUIDANCE	MINOR RU	SMALL RU	STANDARD RU
Number of bedrooms	1	2	3 or more (or vacant lots)
EHU discount (all services)	50%	25%	Nil
Proportion of EHU payable for all charges	0.5	0.75	0

## CURRENT DEVELOPMENT CONTRIBUTION RATES FOR 2023 - 2024

These rates are updated annually based on producer price index.

### DEVELOPMENT CONTRIBUTION PER EQUIVALENT HOUSEHOLD UNIT (EHU)

COMPONENT	WESTER N HILLS	VALLEY FLOOR	STOKES VALLEY	WAINUIOMATA	EASTBOURNE	RURAL	DISTRICTWIDE
Transport	\$0	\$0	\$0	\$0	\$0	\$0	\$2,523
Water	\$1,214	\$7,755	\$0.00	\$12,604	\$0	\$0	\$358
Wastewater	\$705	\$705	\$705	\$5,654	\$705	\$0	\$3,325
Stormwater	\$88	\$158	\$15	\$1,847	\$856	\$0	\$257
<b>Total</b>	<b>\$2,007</b>	<b>\$8,618</b>	<b>\$720</b>	<b>\$20,105</b>	<b>\$1,561</b>	<b>\$0</b>	<b>\$6,463</b>
<b>Charge per EHU</b>	\$8,469	\$15,081	\$7,183	\$26,568	\$8,024	\$2,523	N/A
<b>GST inclusive</b>	<b>\$9,740</b>	<b>\$17,343</b>	<b>\$8,261</b>	<b>\$30,553</b>	<b>\$9,227</b>	<b>\$2,901</b>	

#### Notes:

- All figures above are exclusive of GST, except the bottom row.
- The total development contribution to be paid by a development comprises the relevant development contribution (DC) for their catchment, plus the Districtwide DC.
- The development contributions payable will be re-calculated each year in accordance with the Producers Price Index Outputs for Construction (PPI) provided by Statistics New Zealand. The base PPI for the charges set on 1 July 2021 was 1369, and the second quarter 2023 PPI figure of 1629 was used to generate the above contribution charges. The adjustment was only applied to the non-interest component of the contribution as recorded in Schedule 1 of the Development and Financial Contributions Policy 2021. Contact the Council if you would like to view the full calculations.

## 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).

**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.

## DEFINITIONS

Residential unit (RU) means a building(s) or part of a building that is used for a residential activity exclusively by one household, and must include sleeping, cooking, bathing and toilet facilities. See National Planning Standards 2019:

[environment.govt.nz/publications/national-planning-standards/](https://environment.govt.nz/publications/national-planning-standards/)

**Bedroom** means any habitable space within an RU that is capable of being used for sleeping purposes and that can be partitioned or closed for privacy, including spaces such as a 'games room', 'family room', 'recreation room', 'study', 'office', 'sewing room', 'den' or 'works room'. The definition excludes:

- a kitchen or pantry
- a bathroom or toilet
- a laundry or clothes-drying room
- a walk-in wardrobe
- a corridor, hallway or lobby
- a garage
- any other room smaller than 6m<sup>2</sup>.

Where an RU has any living or dining rooms that can be partitioned or closed for privacy, all such rooms except one shall be considered a bedroom.

**Commercial activity** means any activity associated with (but not limited to): communication services, financial services, insurance, services to finance and investment, real estate, business services, central government administration, public order and safety services, tertiary education provision, local government administration services and civil defence, and commercial offices.

**Industrial activity** means an activity that manufactures, fabricates, processes, packages, distributes, repairs, stores or disposes of materials (including raw, processed or partly processed materials) or goods. It includes any ancillary activity to the industrial activity.

**Retail activity** means any activity trading in goods, equipment or services that is not an industrial activity or commercial activity.