

## UNDERSTANDING DEVELOPMENT CONTRIBUTIONS

“I’ve just got this bill from the Council. It’s outrageous!” Jim Milne, a barrister specializing in the Resource Management Act, and former president of the Resource Management Law Association, has heard that many times.

Development Contributions (DCs) can be a nasty surprise for the inexperienced developer. This includes homeowners and one-off commercial projects. While Councils will provide details on their websites, the first many people hear about it is when they go to pick up their building consent.

We asked Jim Milne to give a background on what Development Contributions are for.

New building work has an impact on the existing community and network infrastructure (e.g. storm water, waste water, roads, and parks). Eventually new infrastructure needs to be built to cope with growth, and this is expensive. Councils could either fund it by a significant rates increase, or adopt a user-pays approach via contributions charged to developers.

The Local Government Act (2002) provides for a Development Contributions policy in the Council’s Long Term Council Community Plan (LTCCP), including a method of calculation. For example, new residential subdivisions are likely to have an effect per household equivalent unit (HEU) on the number of vehicles using local roads which Council needs to maintain. Industrial developments may be assessed as equivalent to several HEUs, or as in Hamilton’s case, per 100m<sup>2</sup> of Gross Floor Area. Most councils allow schools and charitable projects to obtain a remission on DCs.

The Development Contributions can be billed at Resource Consent, Building Consent, or when the first service connection is made. But as the DC is under the Local Government Act, not the RMA or the Building Act, the bill is separate to the fees for other consents associated with the project.

Some current charges for Hamilton are \$31,629 for a new house in a green field site, and \$246,620 for a typical 2000m<sup>2</sup> commercial building. This is a lot of money.

So what can you do about your bill?

Reductions and even refunds are possible according to Jim. If you can satisfy Council’s conditions by demonstrating that your development puts less demand on infrastructure than calculated under the policy, then you have a valid case.

Firstly, check whether there are any credits for previous developments on the property. If you removed an old house to build a new one, then your net-effect on the city’s infrastructure is much less.

Secondly, the actual use of your project may be different to the baseline HEUs your property was assessed on. If your large industrial site rated at 20 HEUs is simply a storage area with infrequent access, then it will have less daily vehicle movements than the equivalent number of houses and therefore be eligible for a reduction.

Thirdly, you need to respond within the timeframe set out in the Council’s LTCCP policy for objections. This doesn’t need to delay your project, as you can pay without prejudice to uplift your building consent subject to the outcome of your objection.

Other points to remember are:

Contributions may be paid in land. This needs to be agreed with the Council.

Every Council has its own criteria and cost assessments.

It pays to check what contributions have been paid on subdivision.

You may have to pay a further DC before uplifting your building permit.

If in doubt, seek quality advice.

DMC recently successfully negotiated a \$120,000 reduction in Development Contributions originally assessed by Council at \$296,000. Most importantly, remember to factor DCs in to the project budget.