

3. WATER SUPPLY SYSTEM UPGRADING CONTRIBUTIONS

RR 9432

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The purpose of this report is to review the water supply headworks upgrading contributions currently levied as a condition of subdivision and recommend appropriate changes.

BACKGROUND

Contributions to headworks upgrading are required when a development puts additional demand on a zone that is already at capacity, to provide new wells, pumps and electrical equipment. The requirement for contributions is consistent with policy 10.4.26 of Volume 2 of the proposed City Plan, “*To require that subdividers and/or developers meet the cost of any upgrading of services (including headworks) which are attributable to the impacts of the subdivision*”. While this policy articulates the intent of the Council, the legal authority to require these contributions comes from the Transitional Provisions of the Resource Management Act (s407) until the Plan becomes fully operative. During the interim period, these provisions allow the application of s283 of the Local Government Act.

Contributions towards the upgrading of water supply headworks have been required as a condition of subdivision since amalgamation, continuing a process started by the former Waimairi District Council. The basis for calculating the contribution was simplified in 1994 to \$488.89 per new lot for areas where upgrading would be necessary and has not been adjusted since then. The contributions are used specifically for new wells and new capacity at pumping stations that pump from these wells (referred to as “primary pumping capacity”). The contributions are not used for “booster” or secondary pumping stations, watermains, or other components of the distribution system.

New wells and pumping capacity are installed in the Christchurch City incrementally as required by growth. Over the past three years, sufficient new capacity for approximately 4,000 new dwellings has been installed at a cost of just under \$2,000,000 (refer figure 1 below). The additional capacity provided is consistent with Statistics New Zealand medium projection growth estimates of 1,500 additional dwelling per year (or 4,500 for three years) between 1996 and 2001. The medium projection has provided the basis for the Water Supply Asset Management Plan, which shows the current required expenditure for wells and primary pumping as \$675,000 per year. While a headworks contribution of approximately \$500 is therefore appropriate, the actual income from these contributions has been an average of \$330,000 per year, or about half of the cost of the new capacity.

The reason for the incomplete recovery of costs is that contributions to date have been based on the number of additional titles created, rather than the additional number of dwellings. This was mainly because of concerns about legal interpretation, which have been resolved during research for the sewer capacity upgrade charge, for which a report is also being presented to the Council this month.

An anomaly has resulted from not requiring contributions at the time of building consent that is resulting in considerable confusion and significant lost revenue for the Council. Because contributions can only be applied as a result of additional demand on the system, developers have been able to avoid headworks contributions by applying for a building consent and connection before applying for subdivision consent. Approval of a connection is an indication that capacity is available and a contribution cannot be obtained at subsequent subdivision consent.

PROPOSED CHANGES TO THE APPLICATION OF HEADWORKS CONTRIBUTIONS

Extending the application of the contributions to include building consents for new dwellings and commercial buildings will have the following benefits:

- allow a greater proportion of the costs of providing new infrastructure to be recovered by the Council
- prevent avoidance of headworks contributions by applying for building consent first
- allow a more accurate assessment of the contribution for commercial developments.

The basic premise that every lot within the designated water supply area is entitled to a standard connection for a single dwelling will not be changed. The contributions at the time of building consent would only be required for the second and subsequent subdividable dwelling unit(s) on any one title.

Contributions for commercial subdivisions are currently assessed at \$1378.00 (excl GST) because on average a larger connection size is required. It is recommended that the required contribution for commercial development be reduced to that of a standard connection (ie as for a residential lot) at the time of subdivision. The requirement for additional capacity can then be assessed at the time of building consent. In this way, the move to requiring contributions at the time of building consent will allow a more equitable distribution of the costs of development.

CHANGE TO THE VALUE OF CONTRIBUTIONS

It can be seen from Table 1 that the actual cost of providing for additional dwelling or business connections from 1996 to 1999 is \$497, which compares to the current contribution assessment of \$488.89 (excl GST). It is therefore

recommended that the assessment be revised to \$500.00 (excl GST) for the coming three years (2.3% increase). Actual costs and contributions will continue to be carefully monitored and reviewed in approximately three years time.

The additional demand that commercial developments will put on the system will be assessed at the time of building consent. Using the contribution for a standard connection on a pro-rata basis, commercial properties would be assessed at \$1,200 per litre per second additional peak demand that their connection would reasonably provide. Contributions would therefore only apply to additional demand, and the capacity relating to any previous contribution or existing connection would be accounted for.

AREA WHERE CONTRIBUTIONS APPLY

The Christchurch reticulated water supply area covers all properties in the district within 135 metres of a hydrant connected to the municipal water supply, including such extensions that require connection to the municipal supply as part of the consent application. In accordance with s283 of the Local Government Act, contributions are not required in areas where capacity for growth is available. These areas are the Business and Residential Zones as defined in the proposed City Plan in the West Pressure Zone (Paparua County prior to amalgamation), and the Living RV zones at Brooklands and Kainga, as shown on the attached map. Contributions will however apply to any changes to the zones defined in the proposed plan as notified on 24 June 1995.

CONCLUSION

It is expected that the application of headworks contributions to additional dwellings and commercial development in addition to contributions at the time of subdivision will lead to recovery of most of the costs of new wells and primary capacity. Anomalies in the application of charges to development of properties already built on will be removed. The proposed changes will also allow more equity in the application of the contributions to commercial developments.

- Recommendation:**
1. That contributions towards the increased capacity of water supply wells and pumping capacity be required:
 - (a) for additional vacant lots created through subdivision
 - (b) for the second or subsequent subdividable dwelling or commercial unit constructed on a single title

within the reticulated water supply area, with the exception of existing Living and Business Zones in the West, Brooklands and Kainga water supply systems (as shown on the attached map, figure 2).

2. That the contributions be assessed on the basis of \$500 (excl GST) for each lot or dwelling or commercial unit requiring water to the Council's minimum level of service.
3. That developments in business zones be assessed at the time of building consent, on the basis of \$1,200 for each litre per second additional peak demand to be added to the system.
4. That the new charges be applied from 1 May 1999.