



Methodology for Calculating DCs for Drury

Draft Contributions Policy 2022 Variation A

25 August 2022, Version 1.0



Methodology for Calculating DCs for Drury

About this document

This document provides:

- an overview of the investment in parks, community facilities, and transport infrastructure the council is planning to support growth in Drury.
- describes how we have estimated the cost of those investments, the share attributable to growth within Drury and the consequent development contributions charges that will apply in the area
- sets out our approach to calculating contributions for Drury and how that differs from the approach used in the Contributions Policy 2022.
- it should be read in conjunction with the Draft Contributions Policy 2022 Variation A document and the Draft Contributions Policy 2022 Variation A Consultation document.

This document forms part of the Supporting Document Pack for consultation on the Draft Contributions Policy 2022 Variation A. You can find a full list of documents included in the Pack in section 2.0 of this report.

Within this document:

- all prices are stated excluding GST unless otherwise noted
- all expenditure includes the impact of inflation



Having your say

Public consultation runs from 13 September to 8 November 2022.

For more information and a schedule of Have Your Say events please see the Draft Contributions Policy 2022 Variation A Consultation document.



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1.0 Introduction

1. This document sets out the steps taken to establish the share of the cost of the investments required to support growth in Drury to be recovered from developers and the consequent contributions price. The steps are:
 - 3.1 forecasting growth
 - 3.2 identification of projects to be delivered in Drury
 - 3.3 cost estimation
 - 3.4 third party funding
 - 3.5 assessing the benefit period
 - 3.6 determining the share to recover from growth
 - 3.7 interest costs
 - 3.8 funding areas and contributions price.
2. Last year, as part of our consultation on the Contributions Policy 2022, we asked for feedback on our proposal to add projects outside ten years to the contributions policy in stages starting with Drury. While there was significant support for this proposal from respondents, the development community held significant reservations and requested further information on the proposals for Drury.
3. In December last year, the council decided to delay the decision on including Drury projects beyond 2031. This has allowed us to prepare the additional information requested by developers and review our approach to setting development contributions for application to the proposed changes for Drury. This included seeking external reviews of our growth forecasts, cost estimation processes, and our assessment of share of costs attributable to growth. These reviews were:
 - Business and Economic Research Limited - Review of growth model assumptions
 - Deloitte - Auckland Council Cost Estimation Review
 - Price Waterhouse Coopers - Methodology review: Beneficiary analysis for Auckland Council's Contribution Policy 2022
4. Alongside these reviews, we have also updated the data inputs into our models for calculating contributions, to ensure that we are using the latest available information. Having considered both the recommendations of these reviews, and our updated data, we have been able to refine our contributions calculation methodology to better suit the specific circumstances of Drury.
5. Each of the steps set out below identifies the results of our external reviews and how we have responded to these findings, as well as how and when we will consider incorporating any changes into future updates to our Contributions policy.

2.0 Overview of supporting documents

6. This document provides a high-level overview of our methodology for calculating DCs across our asset groups. Alongside this document we have released supporting documents setting out our methodology in more detail. These documents are as follows:

Topic	Title	Description
General	Draft Contributions Policy 2022 Variation A	The draft policy document. Proposed changes have been highlighted in yellow
General	Drury DC Model	The Drury DC price models calculates the price per HUE to recover the growth share of project costs and interest costs by funding area. Its inputs are: - the project costs, growth share, area of benefit, including escalation for transport, community facilities and parks development costs. (Park acquisition costs were already escalated) - adjustment to the transport costs for the assumed Waka Kotahi subsidy (0 per cent for “collector” roads and 51 per cent for arterial roads) - estimated annual number of HUEs per funding area - interest rates to calculate the interest over the recovery period. Interest costs based on the expected timing of revenue (including DCs, rates and third-party funding) and expenditure. Credit interest is applied if DC revenue is received prior to incurring the project costs
General	G1 Drury Funding Area Maps	Maps of Funding Areas
General	G2 Detailed Transport Costs	This spreadsheet identifies for each Drury transport project: - total escalated cost - share of costs attributable to funding areas in Drury - share of costs attributable to growth in each funding area
General	G3 Cost escalation factors and interest rates	Auckland Council’s Chief Economist Unit’s advice on the values to be used over 30 years for: - inflation for construction costs - inflation for land acquisition costs - interest rates.
Transport	T1 Drury Developer Contributions Policy Transport Assessment	Documents the transport assessment undertaken by the Te Tupu Ngātahi Supporting Growth Alliance (SGA) to prepare transport inputs to Auckland Council’s proposed Developer Contributions policy for Drury. This document sets out the key considerations for assessing transport investment in Drury: - growth context for Drury, including the current network and land use planning processes - development of the assessment methodology - assessment of individual projects and aggregate results - key uncertainties and sensitivity testing.

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Topic	Title	Description
		Note: this report does not identify the level of third party funding, escalation or inflation, which can be found within the DC model identified above. This report includes the Drury Infrastructure Funding and Financing Study (DIFF) Transport Assessment report as an attachment
Transport	Drury Infrastructure Funding and Financing Study (DIFF) Transport Assessment	This report presents the transport assessment element of the Drury Infrastructure Funding and Finance study (DIFF), being undertaken by Auckland Council. The transport assessment seeks to identify a potential Staging Schedule of transport infrastructure upgrades to support the growth proposed in the Drury area. This report can be found as an attachment to the T1 Drury Developer Contributions Policy: Transport Assessment released as part of package of supporting documents for this consultation.
Transport	T2 Drury Infrastructure Funding and Financing (DIFF) - Cost Allowances	Indicative cost allowances for transport projects in Drury, prepared by Te Tupu Ngātahi Supporting Growth Alliance (SGA). Note: costs in this document do not include escalation or inflation, which can be found within the DC model identified above.
Transport	T3 Property cost estimation – for the Drury area	This paper summarises the process for estimating property costs for identified future transport projects in the Drury area.
Community Facilities	C1 Supporting advice for calculation of Drury/Ōpaheke community facilities provision	This document provides information regarding the estimation of future community facilities provision for Drury/Ōpaheke and the surrounding catchment. Includes catchment maps.
Community Facilities	Community Facilities Network and Action Plan	This plan details how we aim to provide community facilities over the next 20 years. It provides direction for: - the development of new facilities - major upgrades of existing facilities - optimisation and potential reducing of facilities no longer meeting community needs. The plan is available on our website at: https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/topic-based-plans-strategies/community-social-development-plans/Pages/community-facilities-network-action-plan.aspx
Community Facilities	Determining Years 11 to 30+ greenfield provision requirements	Provides an overview of Auckland Council's process for the future planning of community facilities in greenfield areas.

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Topic	Title	Description
	Community services and facilities guidance note	This document is available as an attachment to the C1 Supporting advice for calculation of Drury/Ōpaheke community facilities provision document
Community Facilities	Site location assessment criteria for Community Facilities in Auckland	This assessment criteria have been developed to give spatial effect to the strategic objectives in Auckland Council's Community Facilities Network Plan, to create fit for purpose, integrated, accessible and strategically placed facilities. It supports decision making around optimal site selection, to locate facilities where they will best serve their communities and contribute positively to placemaking. This document is available as an attachment to the C1 Supporting advice for calculation of Drury/Ōpaheke community facilities provision document
Parks	P1 Open Space Cost Modelling Method	This document provides an overview for how Auckland Council projects the costs of open space acquisition and costs of subsequent development of those open spaces. It also includes an analysis of the share of the costs attributable to growth. The parks modelling includes land cost escalation
Parks	Parks and Open Space Acquisition Policy	This policy sets the framework for acquiring new land for parks and open space. It covers: - the reasons why we acquire land for parks and open space - the policies and legislation that influence us in acquiring parks and open space - the methods we use to fund and acquire land for parks and open space - how we will assess if land should be acquired for new parks and open space - how we prioritise opportunities to acquire land for parks and open space - when we consider disposing of parks and open space. The plan is available on our website at: https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-policies/Pages/parks-open-space-acquisition-policy.aspx
Parks	Open Space Provision Policy	This policy informs how we decide to invest in land for parks and open space. The policy covers: - guidance on providing open space across the region - the strategic context for acquiring land for parks and open space - the principles we use to plan high quality parks and open spaces - the provision metrics that guide the type, size and location of parks and open space, particularly in new urban areas - how we fund the acquisition of open space. The policy is available on our website at:

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Topic	Title	Description
		https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-policies/Pages/open-space-provision-policy.aspx
General	R1 Review of growth model assumptions	External review of our growth model assumptions prepared by Business and Economic Research Limited
General	R2 Auckland Council Cost Estimation Review	External review of our cost estimation methodology prepared by Deloitte
General	R3 Methodology review: Beneficiary analysis for Auckland Council's Contribution Policy 2022	External review of our beneficiary analysis methodology prepared by Pricewaterhouse-Coopers
General	R4 Economic incidence of developer contributions	Report prepared by economists Dr Cameron Murray and Dr Tim Helm
General	R5 Equity of options for funding long-term infrastructure investments	Report prepared by economists Dr Cameron Murray and Dr Tim Helm
General	Auckland Future Urban Land Supply Strategy (FULSS)	This strategy identifies the sequence and timing for future urban land across Auckland over 30 years to assist with the ongoing supply of greenfield land for development. The timing of development for sub-areas within Drury have been revised since the FULSS was published in 2017. The revised dates can be found in section 3.1 Drury Growth Forecast of this methodology document. https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/topic-based-plans-strategies/housing-plans/Documents/future-urban-land-supply-strategy.pdf

3.0 Auckland Council methodology for calculating contribution charges

3.1 Drury Growth Forecast

7. Drury is forecast to grow to a population of approximately 62,000 with 22,000 dwellings, and 12,000 jobs by 2060. The pace of growth and where it occurs within Drury will impact on the type, size and timing of the infrastructure investment required, its cost, and ultimately the development contributions price.

3.1.1 Forecast

8. To forecast growth in Drury we have updated our latest region wide growth modelling¹ to reflect the latest information on the circumstances in Drury, 'i11 Drury DC Version'. The key changes are:
- identification of a date for when full buildout is anticipated to be achieved (by year 2060). This full build out date is not included in our wider regional plans as they only extend to around 2050
 - revision of the 'development ready' dates in the Future Urban Land Supply Strategy (FULSS). These dates indicate when growth may begin progressing across Drury. These have been revised to reflect the council's budget availability to provide the key infrastructure required to enable growth. Some key transport investments are required to allow for the initial stages of growth. Other key transport investments can be made at a later stage. This change means that the i11 Drury DC Version includes slower than previously forecast growth for Drury East and Drury West in the current decade accelerating in the following decade to reflect when enabling infrastructure can be delivered.
9. The following table shows the development ready dates by area that were in the previous FULSS document, and the amended dates that have been utilised for the i11 Drury DC growth forecast.

Table 3.1.1 Development ready dates for Drury

Area (see FULSS for maps)	Previous FULSS development ready date	Amended FULSS development ready date for i11 Drury DC
Drury-Ōpaheke	2028-2032	From 2032 (in stages)
Live zoned Auranga	2012-2017	No amendment
Drury West Stage 1	2022	From 2022 (in stages)
Drury West Stage 2	2028-2032	From 2032 (in stages)
Drury South	2012-2017	No amendment

¹ Auckland Council uses three key documents to assess the expected timing of growth across the region: **Auckland Future Urban Land Supply Strategy (FULSS)** – an appendix to the Auckland Plan that provides intended sequencing, timing and detail about future urban areas identified for further investigation in the Auckland Plan's Spatial Strategy.

Drury-Ōpaheke Structure Plan (DO Structure Plan) - as required by the FULSS, a council and community developed land use plan with indicative full buildout yields to guide future plan change processes.

Auckland Council Macro Strategic Model (MSM) that reflect/translate the above and other information into numerical values (population, households and employment) for nearly 600 'zones' across the region, over the next 30 years. Three versions of this model currently exist:

i11v5 released December 2019, which models growth projections from 2018-2048

i11v5 2048+, a model prepared by the Supporting Growth Alliance (SGA), which extends the i11v5 model beyond 2048 until full build out is complete, which for Drury, is expected to be 2060.

i11v6 (updated version of i11v5 released August 2020)

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10. The chart below shows the impact of later delivery of enabling infrastructure has on population growth projections in Drury.

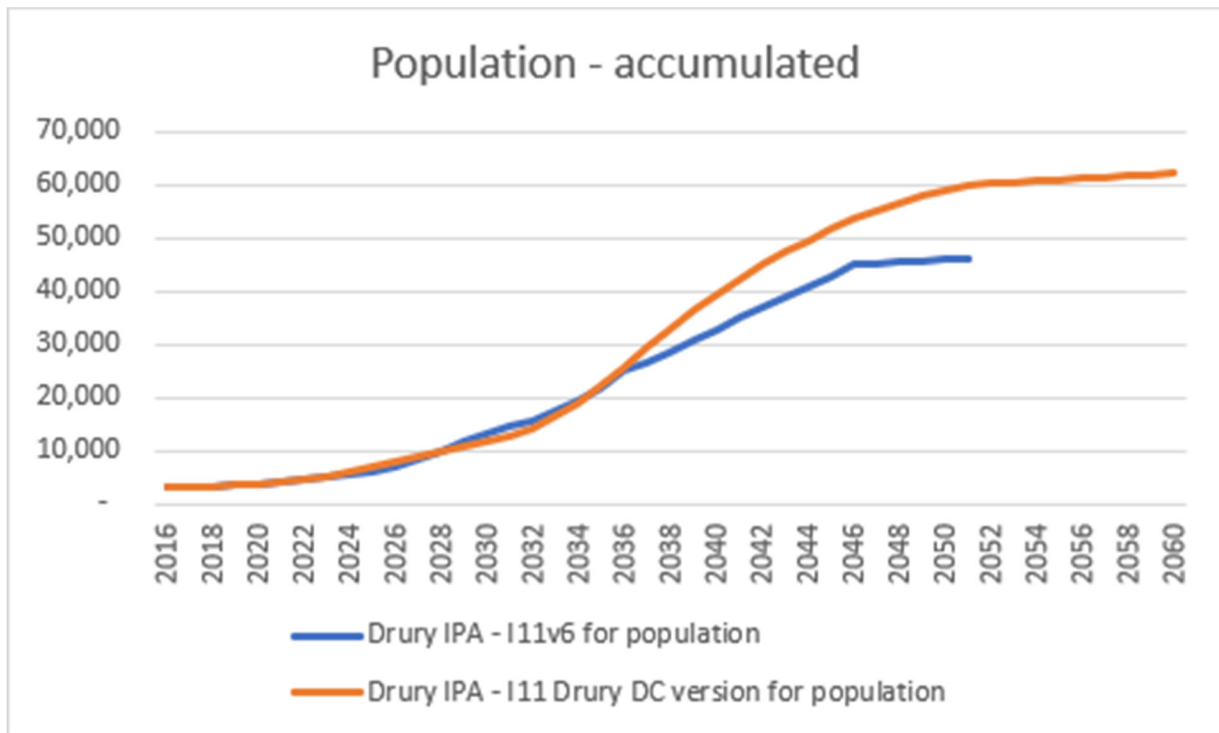
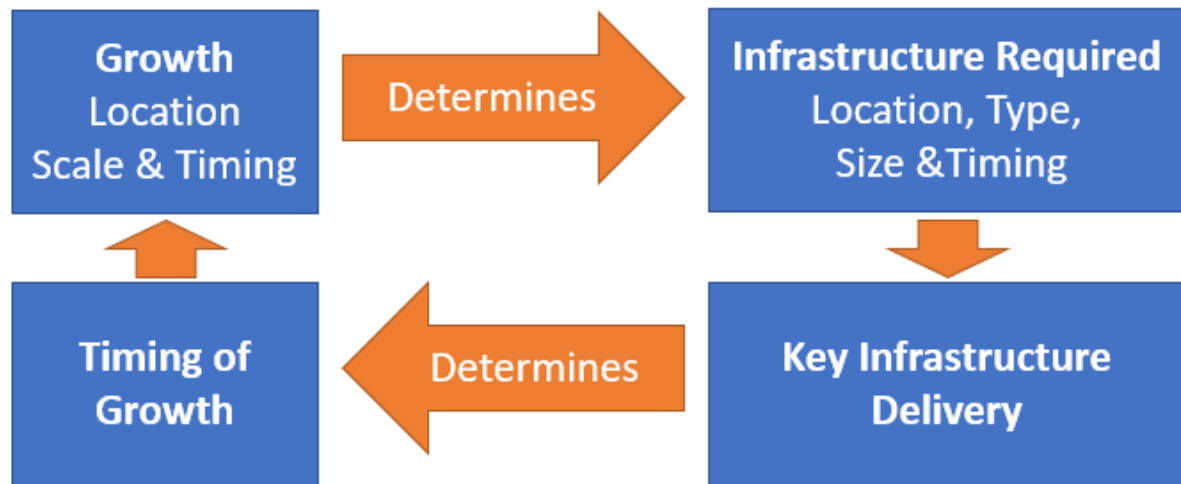


Figure 1 Drury Population 2016 to 2060

11. The timing of growth in Drury may be affected by the outcome of the Drury East Appeals that are currently before the Environment Court, and discussions that the council continues to have with developers in this area. If this happens, the council will address this issue post consultation.
- 3.1.2 Impact of growth on type, size, and timing of investment
12. This forecast forms the basis for the type, size and timing of the infrastructure investment required.
13. Population densities and proximity metrics are used to assess requirements for open spaces. Population growth projections are used to assess requirements for community facility infrastructure. Population is also used to assess improvements to existing on-road assets and public transport projects. Household and employment projections are used to assess requirements for new roads, pathways or other transport infrastructure where there is no existing asset. This is considered more effective than using the population growth data as it helps to determine where new transport links are required.
14. While growth is accumulating across the time period, the phasing of growth in some parts of Drury will depend on the delivery of the key enabling infrastructure:

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3.1.3 Variation from previous approach

15. Creating a bespoke growth forecast ensures that Auckland Council, central government and Auckland Transport are all in alignment on growth for Drury. This approach is consistent with the recommendations of both BERL and Deloitte, which recommended that the council should take a consistent approach to growth forecasts across all asset groups in the DC Policy.
16. The rate at which the growth is expected to occur has been adjusted from the region wide forecasts that formed the basis for the timing of investment and calculation of contributions prices on which consultation was based last year.
17. Previously, each of the asset groups (Parks, Community Facilities and Transport) as well as the council's DC model had evolved their own growth forecasts from the FULSS, relevant Structure Plans, and versions of the i11 MSM Model depending on which aspects of each document was most relevant to that group's planning requirements. This created a risk that groups were using forecasts that did not reflect the impact that other groups' decisions on the timing of infrastructure had on growth occurring. We have developed a single growth forecast that meets the needs of all groups ensuring that each group is planning to the same timeline for growth.
18. Standardising our growth forecasts has impacted the contribution prices proposed for Drury. This is because our decisions on the timing of projects depends on the timing of growth. The timing of investment in turn impacts the level of cost inflation that will apply. The timing of growth also impacts when we expect contribution revenue to be received, which impacts the timing of debt repayment and our interest costs.
19. The i11 Drury DC Version has been prepared only for the Drury growth area (a map of this area can be found in the G1 Drury Funding Area Maps document) and will not be used to forecast growth for other areas. Instead, future DC growth forecasts for other Investment Priority Areas and for the next full policy review, will be developed using a similar methodology. Future forecasts will incorporate the latest information from the Future Development Strategy as well as location and timing specific information for the relevant growth areas.

3.2 Projects to be delivered in Drury beyond 2031

20. For Drury, we have assessed the requirement for infrastructure based on the anticipated population growth from now until full build out of Drury is achieved in 2060. The timing of the investments is based on the revised growth forecasts above. To serve this growth the council is planning to deliver the additional investments beyond 2031 shown in table 3.2 below (escalated costs shown):

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Table 3.2 Proposed investment in Drury (to be funded through a mix of DCs, rates and grants)		
Investment Type	Already committed (To be delivered by 2031)	Proposed additional investment (To be delivered beyond 2031)
Fully integrated bus and road transport network	\$243 million	\$1,882 million ^[1]
32 hectares of new parks and civic spaces	\$156 million	\$403 million
Community facility, pool, leisure and library		\$185 million

21. The costs shown above are the full costs to deliver these infrastructure projects and will be funded through a mix of rates, development contributions and third-party funding such as National Land Transport Funding (**NLTF**) administered by Waka Kotahi. The following section of this document sets out how we allocate a share of the costs for these projects to be funded by growth, from which we then assess the contribution charge for developers.
22. A full list of projects to be delivered in the Drury area beyond 2031 can be found in Schedule 8 to the Draft Contributions Policy 2022 Variation A. The projects listed in this section are in addition to any provision for Drury already included in the Contributions Policy 2022.

3.2.1 Transport

23. The transport investment required by the council to support growth in Drury is based on the Drury/Ōpaheke Structure Plan and transport planning work carried out with the central government's New Zealand Upgrade Programme. This provides for an integrated public, private, and active transport network to connect Drury to the wider city. The total cost of the proposed investments is \$2.125 billion. Of this, the council is planning to deliver \$243 million before 2031, and an additional \$1,882 million beyond 2031. A full list of transport projects to be delivered in the Drury area can be found in Schedule 8 to the Draft Contributions Policy 2022 Variation A.
24. The integrated nature of transport infrastructure means that we need to consider the timing and delivery of all the projects for Drury over the 30 year period identified in the T1 **Drury Developer Contributions Policy Transport Assessment** document, and not just those to be delivered after 2031. Based on growth forecasts, it would be desirable for some of the projects to be delivered before 2028. However, the council's budgets do not make capital available for these investments until after that time.
25. Accordingly, we have adjusted the delivery dates to align with the availability of capital in the Regional Land Transport Plan. You can find how we have phased the spending for transport projects for our proposed contribution charges in our DC model released as part of the supporting document pack.

Developer Mitigation

26. The council sets its contribution charges to recover the growth share of the cost of infrastructure delivered or financed by the council. The council does not finance all the transport investment required in an area. This is because developers are usually required to deliver some transport infrastructure to mitigate the effects of their developments, as a condition of gaining resource consent, and may also do so as part of a separate Infrastructure Funding Agreement. Typically, we expect developers to deliver local roads, as well as the majority of collector roads and a share of the frontages (the footpaths, cycle paths, verges and some of the carriageway) on arterial roads.
27. Table 3.2.1 shows the proposed transport charge for the Drury and neighbouring funding areas (funding areas are discussed at section 3.8) based on the forecast mitigation by developers.

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Table 3.2.1 Proposed transport charges for Drury	
Funding area	Proposed DC transport charge (\$/HUE)
Drury East	\$64,448
Drury West 1	\$40,999
Drury West 2	\$21,005
Ōpaheke	\$66,782
Southern Growth Area 1	\$4,971
Southern Growth Area 2	\$5,701
Southern Growth Area 3	\$5,210
Auckland wide	\$3,834

28. Table 3.2.1a sets out the share of transport infrastructure in Drury we have assumed will be delivered and financed by developers by road category. The remaining share of costs will fall to the council, and will be funded through a mix of contributions, rates, and NLTF funding. Our methodology for assessing the share of these costs to be recovered from contributions can be found in the following sections of this document.

Table 3.2.1a Allowance for developer mitigation included in proposal

Project Category	Project Type	Cost Type	Developer delivered <i>(Funded by developer directly)</i>	Council/AT delivered <i>(Funded by DCs, rates and Waka Kotahi grants)</i>	Commentary
Local roads	All	All	100%	0%	Developers are responsible for funding and building Local roads.
Collector roads	New roads on developers' land	All	100%	0%	The council expects developers to fund and build collector roads on their property, as well as upgrades to existing rural roads that serve their developments. The council/AT may be required to coordinate complex projects and complete any gaps (see Note below table). More complex structures required for collector roads like bridges and some intersections will be provided by the council and AT (see table 3.2.1c).
	Upgrades of existing rural roads to collector standard	All	75%	25%	
	Sections identified in table 3.2.1c below	All	0%	100%	
Arterial roads	Interim Arterial (where an existing road will in future become an arterial and where	All	85%	15%	Arterial roads and associated intersection upgrades are generally included in the DC policy, excluding any allowances for frontages onto these roads

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	there is a first interim step)				that are funded and delivered by developers. As a greenfield area, Council expects developers in Drury to fund and build frontages adjacent to their properties and to vest some land at no cost.
	2-lane	Non-Property	60%	40%	
		Property	40%	60%	
	4-lane	Non-Property	40%	60%	
		Property	20%	80%	
	Major Structures	All	0%	100%	
Intersections	Where a project is an intersection, this is treated the same as the intersecting road with the highest capacity/status (state highway, arterial, collector) e.g. an arterial intersecting with a collector is treated as an arterial, an intersection of 2 collectors is treated as a collector				
Note to table: The upgrading of existing rural roads to collector status may require a series of projects, possibly delivered by different developers or other parties to complete the full road, where delivery of the full road requires coordination of projects between all parties Based on these considerations the collector road projects have been classified into the following categories: a) fully funded and built by developers or named parties b) partially funded and built by developers or named parties, with a percentage of the project cost included in the contributions policy (to cover minor issues or miscellaneous ‘gaps’ along the route for the project). Where most of a project is built by developers, Council/AT generally only manage the parts/portion of the project for which DCs are to be collected c) included in the contributions policy to share the cost proportionally between developers, with Auckland Transport likely to lead/coordinate the project. This consideration has been then used to apportion costs as shown in the table above. In certain situations, the property costs associated with the roads will be purchased at an earlier date than the construction. In this case, the developer mitigation percentages associated with the purpose of the purchase will be used. For example, some land for a 4 lane arterial may be purchased at the time of the 2 lane arterial project. In this situation, the developer mitigation percentage associated with the 4 lane arterial will be used					

29. Table 3.2.1b provide additional detail on the share of Drury collector road infrastructure we are proposing to include in our contributions policy.

3.2.1b Drury Collector Road Structures or sections to be financed by Council under our proposed mitigation		
Project Number	Project Schedule	Project Description
28a	Northern Section of new collector in N-S direction parallel to Fitzgerald Rd	2-lane collector to connect with Drury Central Station, including bridge over stream)
14a	Western end of Brookefield Road Extension tie in with Quarry Rd	2-lane urban (upgrade existing road layout with active modes on both sides + intersection improvements + new connection to Quarry Rd)
59	New Intersection on Jesmond Rd/collector	2/4-lane intersection (new intersection + active mode crossings)
55	New E-W collector to Jesmond Rd	2-lane urban- new collector with active mode on both sides + intersection improvements (TDM)
22	Upgrade Intersection at Quarry/ Great South Road	Upgrade intersection with active modes facilities (TDM)
69	Walk/cycle bridges on Quarry Road bridge (over SH1)	Active-modes facility over Rail corridor

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30. The following table 3.2.1c provides additional description of the nature of the transport investments planned beyond 2031.

3.2.1c Details of Drury transport investment beyond 2031	
Investment type	Comment
Upgrade or development of arterial roads, public transport and active modal routes	Upgrading existing roads to two or four-lane urban arterials as needed to support growth.
	Staged upgrades to roads such as Great South Road, Waihoehoe Road, Bremner Road, Jesmond Road and the North South Ōpaheke Arterial will provide the necessary capacity to enable growth. Bus priority lanes will be implemented on key routes and safe walking and cycling connections will be included on each side of the road to facilitate efficient public and active transport connections across Drury / Ōpaheke.
	Additional intersection upgrades will improve the safety and efficiency of the local transport network.
Integration of collector roads	Integrating collector roads provided by developers to support growth in Drury/Ōpaheke.
	Roads such as Fitzgerald, Fielding, Brookfield, Drury Hills, Cossey, Oira, and Bremner Road Old and New will each need upgrading to support growth. When these roads are upgraded to two-lane urban collectors, including walking and cycling on both sides, the council will ensure these upgrades are well integrated into the network working with developers as they deliver the required upgrades to support their development.
	Numerous intersection upgrades will also be managed and integrated to ensure the transport network is provided in a coordinated manner producing efficient, safe and sustainable transport outcomes for Drury.
Strategic multi-modal transport corridor improvements	The share of the costs of Auckland Transport developing public transport and active mode routes linked to highways and expressways in the Drury investment priority area.

Risks of Transport Mitigation Forecast

31. The level of infrastructure that is ultimately provided by developers as mitigation depends on the content and conditions of consent applied to individual applicants. Where relevant, these projects may have already been discussed and negotiated through a Plan Change process and associated triggers identified. Experience over time shows that not all of the mitigation infrastructure we expect to be delivered by developers will be provided by them.
32. If projects that the council assumed would be delivered by developers are not, we will need to finance them instead. We will include these additional projects in our contributions policy when we next update the policy. The adjusted contributions will only apply to future consent applications, and not to developers who have already received their consents. We can also only charge for the share of the project that benefits future developers. The part of the project that benefits those early developers must instead be funded by ratepayers.
33. Accordingly, a key question in setting our contribution policy is what is the appropriate level of mitigation infrastructure we should assume will be provided by developers and therefore how much

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should be planned for the council to deliver and/or fund, which in turn determines the level of development contributions required.

34. We are seeking feedback on whether the allowance for developer mitigation included in our proposed contributions policy (and corresponding level of contributions funding for collector roads) is reasonable and appropriate. We will consider this feedback, along with the latest information on developer infrastructure agreements and resource consent requirements within Drury. It is possible that after considering feedback and further analysis that the assumed level of mitigation used for the purposes of this policy will reduce. If so, the level of investment to be delivered by the council will rise with a consequential impact on the level of the contributions to be recovered. Conversely, if after considering feedback and further analysis the assumed level of mitigation is increased, the level of investment to be funded by contributions will reduce.

Total cost to developers

35. The total cost to developers is the sum of mitigation works they provide and the development contributions to cover the growth share of the council delivered projects. To show this total cost per house we have modelled what the contributions price would be if the council delivered all the projects, excluding local roads (i.e. zero direct mitigation by developers). While the council does not consider an assumption of zero direct mitigation to be appropriate, the table 3.2.1d below shows the potential scale of the mitigation delivery and financing issue.

Table 3.2.1d Total Transport Cost per HUE	
Funding area	Total transport cost including developer mitigation and council delivered projects (\$/HUE)
Drury East	\$157,935
Drury West 1	\$117,512
Drury West 2	\$28,801
Ōpaheke	\$86,104
Southern Growth Area 1	\$5,362
Southern Growth Area 2	\$6,065
Southern Growth Area 3	\$5,727
Auckland wide	\$3,882

36. The council is not proposing to finance and deliver all the transport projects. This approach would reduce the risk that the council will under collect contributions for transport projects. However, it would significantly increase the council's capital programme, at a time when we are facing constraints on our level of debt. This would result in delayed delivery of critical projects that would otherwise be delivered earlier by developers, impacting when development can occur. It is likely that many developers will still undertake mitigation works, as a condition of consent or to enable them to progress their developments. In these cases, the council will need to refund the contributions paid by developers for that project or purchase the project from the developer and retain it in the policy. The potential scale of adjustments required under this scenario, and their complexity would result in additional (and unplanned) costs to the council.

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3.2.2 Parks

37. The requirement for parks in Drury has been assessed in accordance with the provision metrics set out in the council's Open Space Provision Policy². These provision metrics identify the:

- amount of land required for different park types
- area to be served for each park type based on a walking distance catchment, with reference to the density of housing to be provided. For greenfield areas such as Drury, a radial distance is used as a proxy for the walking distance catchment.

38. The open space provision metrics used for Drury are shown in Table 3.2.2 below. This assessment has identified that anticipated population growth out to 2060 in Drury will generate a requirement for 43 new parks, with a total land requirement of 32.4 hectares at a cost, including land acquisition and development. The total cost of the investment will be \$559 million. We have already budgeted for \$156 million within the next ten years, so require an additional \$403 million.

Table 3.2.2 Provision metrics and assessed open space requirements for Drury

PARK TYPE	Park size (sqm)	Housing Typology	Walking distance	Radial distance proxy	Number required	Total Land Area required ('000 sqm)
Suburb Parks	30,000	High and medium density	400m	300m	35	180
		Low density	600m	450m		
Neighbourhood Parks	4,000	High and medium density	1000m	750m	6	138
		Low density	1500m	1,125m		
Local centre	2,000	One per centre			1	2
Town centre	4,000				1	4
Total				450m	43	324

39. Civic parks are provided in town centres and smaller centres called local centres. Aside from civic parks in commercial areas, suburb, sport and neighbourhood parks are only provided by the council in residential urban areas.

40. The above assessment does not include land for a specialised sports park as there is already sufficient sport field capacity in Drury and Ōpaheke. Our assessment is that these parks provide sufficient capacity for growth in Drury. The growth share of the costs incurred for these sports parks is already included in the Contributions Policy 2022.

3.2.3 Community Facilities

41. The future requirement for community facility provision in Drury has been assessed in accordance with the provision metrics identified in the council's Community Facility Network Plan³. To provide for the expected population growth in Drury it is probable that a single multi-purpose facility including a community facility, leisure centre, library, and local pool would be provided. This facility is estimated to cost \$185 million.

² <https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-policies/Pages/open-space-provision-policy.aspx>

³ <https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/topic-based-plans-strategies/community-social-development-plans/docscommunityfacilities/community-facilities-network-plan.pdf>

Methodology for Calculating DCs for Drury

42. The Community Facility Network Plan identifies the need for the different kinds of community facilities based on population thresholds within a specific catchment area being met. The requirement for library space is determined by floor area required per 1,000 people within the catchment. How the projected demand and final configuration of space will be met has not been determined (i.e. location and/or co location of services, delivery mechanism etc) but for the purpose of estimating costs, it is assumed a large multi-purpose facility incorporating all four space types is the most likely service delivery model. Table 3.2.3a below shows floor area requirements and targeted population thresholds for each facility type.

Table 3.2.3a Provision metrics and assessed community facilities requirements for Drury

Facility Type	Catchment	Floor Area (sqm)	Target Population threshold	Indicative Floor Area requirement for Drury (sqm)
Community Facility	5km	600+	20,000+	600
Library	5km	42 sqm per 1000 people		2,830
Leisure	10km	2,700	18,000-40,000	2,700
Pool	10km	3,500	35000-50,000	3,500
Total				9,630

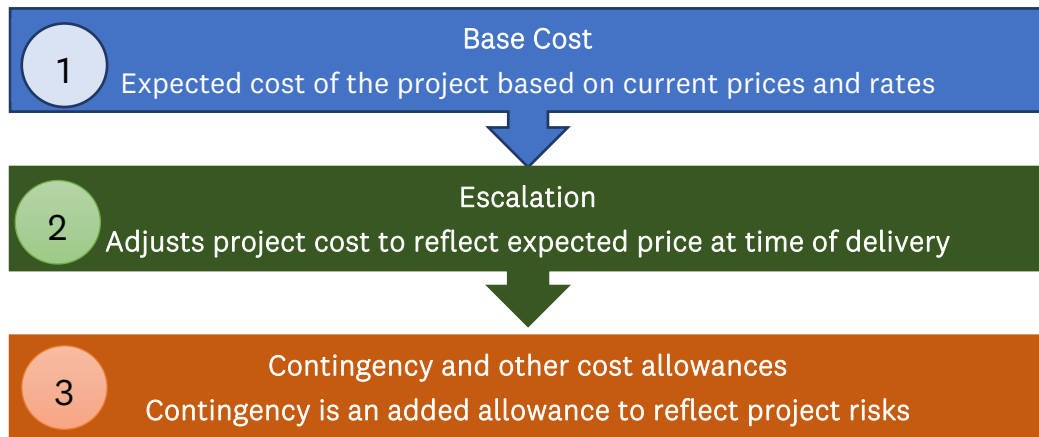
43. The library has been sized based on the expected total population within a five-kilometre driving catchment centred on Drury. The expected total population for this catchment in 2060 is 67,380. This produces a required library floor area of 2,830 sqm.
44. The land area required for these community facilities has been estimated by doubling the total gross floor area for the multi-purpose facility, giving a land requirement of 19,280 sqm.
45. You can find more details about how we assessed the requirements for community facilities for Drury, including maps of the facility catchment areas, in the C1 **Supporting advice for calculation of Drury/Ōpaheke community facilities provision** document in the supporting document pack.

3.3 Cost Estimation

46. Estimating the cost of delivering infrastructure projects both now and in the future is a key step in calculating contribution charges. Our proposed Drury contribution charges have been calculated using updated cost estimates based on the latest available data.

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47. There are three key stages to establish a project cost estimate: Base Cost, Escalation and Contingency, as shown in the diagram below:



48. All our asset groups have sought expert advice from quantity surveyors and independent property valuation providers, supported by peer reviews to develop their cost estimates. The estimates used in this proposal have been reviewed for the latest available information on costs.
49. The methodology we use for estimating construction and development costs differs from that used for land acquisition costs. The following sections set out the processes we followed for these cost types. Note that these are forecasts of the cost of land acquisition and actual acquisitions will be based on the market at the time and our obligations under the Public Works Act.

1 Base cost estimation for land acquisition costs

3.3.1 Base cost estimation for land acquisition

50. Site specific land valuations prepared by an expert land valuer are used where practical or the council's rating valuation is used as an alternative. In cases where specific property location information or detail is not available, property costs are assessed using a land price per square metre of \$175 for future urban zoned land. This rate is developed from the council observations of recent land purchases in Drury, the council valuations, and external advice.
51. All land acquisitions for transport projects use the relevant land price factor from 2023 to 2051, which takes into account both the land escalation and the change in zoning. However, the Public Works Act (PWA) and lease costs associated with the land acquisitions use initial cost estimates that were prepared in previous years. For these costs we have applied a 30 per cent increase in values from 2018/2019 to 2021/2022 as broadly representative of the regional movement in residential property values between revaluations. These costs are then escalated using the land escalation rate, which does not include any increase from zoning changes.
52. The average valuation change for Drury between 2018/2019 to 2021/2022 was higher than 30 per cent. However, this partly reflects a movement in development stages between rural and urban. This movement may to some extent be captured in our adjustment for development stage in the next step. Using the regional estimate provides a reasonable and conservative basis for setting the base valuations.
53. Estimating the cost of land acquisitions is more complex for greenfield areas like Drury, as land in the area increases in value in stages as the area moves from rural zoning to urban development. We need to adjust our land acquisition cost estimates to account for the forecast stage of development

Methodology for Calculating DCs for Drury

at the time we purchase the property. The table below shows the land price and relative adjustment factors used by the council at each of the four development stages. These are based on advice from an independent valuer and the council observations of valuation movements as at February 2022:

Table 3.3.1: Land Development Stage Adjustment factors

Urbanisation stages	1 Future urban zone	2 Rezoned for urban development	3 Bulk infrastructure enabling development installed	4 Sub-divided into development lots		
				Super 4a	Compact 4b	Average (4a+4b)/2
Adjustment factor from stage 1	1	1.4	2.1	8.3	9.7	9.0
Adjustment factor from stage 2	n/a	1	1.5	5.8	6.8	6.3
Adjustment factor from stage 3	n/a	n/a	1	3.9	4.5	4.2

54. At stage four, land is divided into development lots. The per sqm price of land varies by lot size, so we have estimated the price change for super lots of 1,000 to 4,000 square metres and compact lots of around 300 sqm. We use the 4a super lot adjustment factor for parks and community facilities to be purchased at this stage, as these require larger sized lots. For transport we use the average of 4a and 4b as location rather than lot size is the primary driver of property selection for transport projects.
55. Different parts of Drury will move through these development stages at different times. We have divided Drury into four sub-areas: Auranga, West Stage 1, West Stage 2, and Ōpaheke/East. The development stage timings for each sub-area are based on the updated development ready dates, which consider the availability of land at each stage over time. (See previous section Drury Growth Forecast, and the Growth Assumptions section of the P1 **Open Space Cost Modelling Method** document).
56. For parks we assume that suburban parks will be acquired earlier in the development cycle than neighbourhood parks, as the former require large land blocks. We apply the relevant dollars per square metre rates to the requirements for park land to be purchased at each stage. For our community facilities we have followed a similar approach as for a suburban park, using the assumption that we will probably deliver a single multi-purpose community facility. We apply this approach to land acquisition estimates, except impending acquisitions where specific land price information may be known.
57. Transport projects (new roads, widening roads, etc) typically require contiguous land through multiple properties with limited flexibility on the location of the land required. Land requirements for each transport project are unique and may require full or partial purchase and temporary leases for construction. This usually requires land to be purchased under the Public Works Act, resulting in higher transaction costs. In some cases, primarily where we are acquiring part of a property, we may need to pay an additional amount to compensate an owner for negative effects the project will have on their remaining land. This is known as injurious affection. We add allowances to the costs of transport projects to cover Public Work Act costs and the risk of injurious affection costs. The level of allowance applied reflects the relative level of risk of these costs being incurred for specific

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projects. More detail on how we have assessed land acquisition costs for transport are set out in T3
Property cost estimation – for the Drury area.

3.3.2 Base cost estimation for construction and development

1

Base cost estimation for construction and development costs

58. Construction and development costs include both planning and construction costs associated with an infrastructure project. These costs will depend on the nature of the infrastructure and facilities to be delivered, and the specific characteristics of the land to be developed.
59. The approach each of our asset groups takes to estimating construction and development costs is set out below:
- **Transport:** Estimates for transport project construction costs use recent cost estimates for similar projects. Where cost estimates were not available, generic linear unit rates have been applied. Cost allowances have been prepared in accordance with the requirements of the Cost Estimation Manual (CEM which can be found at <https://www.nzta.govt.nz/resources/cost-estimation-manual/>) for preparation of a Programme Business Case Estimate (PBE).
 - **Parks:** The cost of developing new parks is modelled based on a standard provision of amenities required for each park type. Our modelling is informed by the cost of recent park developments and advice from experienced quantity surveyors, to develop a cost per square meter rate based on the level of amenity to be delivered for each park type. These rates are then multiplied by the total area of each park type to be delivered.
 - **Community Facilities:** Similar to Parks, construction costs for community facilities are estimated based on standard construction cost per square metre rate for facility type multiplied by the gross floor area for the facility to be delivered. The construction rates we use include building works, infrastructure services, and hard and soft landscaping works, professional fees, internal client, consents, and furniture. The costs for community facilities projected for Drury have been updated for new benchmark rates prepared by AECOM in June of this year.
60. In some cases we have used initial cost estimates that were prepared in previous years. These costs need to be adjusted to the current year. For construction costs, we apply the following adjustments:

Table 3.3.2a Prior year escalation rates for construction costs				
Year:	2018/19	2019/20	2020/21	2021/22
Cost escalation over prior year:	2.60%	1.20%	3.10%	6.00%

2

Escalation

3.3.3 Escalation

61. Prices for land, labour and materials will change over time. We need to adjust the current year cost estimates identified above based on the expected prices at and during the period the project is delivered. The basis for these forecasts is set out in the memorandum from Auckland Council's Chief Economist Unit, G3 **Cost escalation factors and interest rates** document. Price escalation rates for land and construction are shown in the table below:

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Table 3.3.2b Escalation rates ⁴				
Measures (percent)	2022/23	2023/24	2024/25	2025/26 onwards (Long-run projection)
Construction cost escalation	5.20%	4.00%	3.20%	2.50%
Land cost escalation *	-7.00%	-1.20%	3.50%	7.2%

62. For construction, the long-run cost escalation factor is 2.5 per cent per year. It is based on the different pressures on capital and labour inputs over 1992 to 2021. In the near term, the construction industry is facing higher than average cost pressures.
63. For land acquisition, the long-run cost escalation factor is 7.2 per cent per year, based on the compounding average growth rate for the median house price between 1992 and 2022. In the near term, land prices are forecast to be lower than the long-run average increases. In developing our thirty year projection, consideration was given to the rate at which median house price had moved over the last five years, 5.7 per cent. However, it was determined that it was more robust to use the longer time frame when modelling for the next three decades. This is because the thirty year view covers multiple economic cycles, compared to the five year view during which there have been unprecedented events such as COVID. In addition, it is probable that median house prices understate the long-term movement in land prices.

3.3.4 Contingency

3

Contingency

64. All project cost estimates are completed using the base costs, phasing and inflated to a future date. As time progresses many changes can occur in the environment, including plan changes, technical/design assumptions and project cost assumption changes. To manage this risk, each of our asset groups considers an allowance for contingency. The level of contingency applied differs between the asset types, based on the relative risks and options for non-cost contingency of their projects.
65. A contingency is not added to land acquisitions costs for parks and community facilities. The risk of land price changes is managed at the portfolio level, reflecting the fact that these assets have more flexibility in the choice and to some degree the size of land parcels to be acquired, and over the portfolio of projects a median effective land cost is appropriate. A contingency of ten per cent is added to parks development costs. The development costs for the community facility does not include a specific contingency, as prices changes can be managed at the scoping phase.
66. A higher level of contingency is applied to our transport project costs than for parks and community facilities. This reflects a higher level of risk for transport projects, due to the need to acquire specific properties for roading, and current uncertainty about the final project requirements.
67. Physical works cost allowances for the Drury transport projects include a 40 per cent contingency, reflecting the uncertainty in the final form of the projects. Transport property cost allowances for Drury include a 15 per cent contingency for the property valuation and an additional 15 per cent for the uncertainty in project scope. These contingency cost allowances have been developed in accordance with the Waka Kotahi's Cost Estimation Manual guidance for assessing the Expected Estimate for a programme level Business Case. More information on how we developed these

⁴ The forecasts in table 3.3.3b use a near-term forecast accounting for the current economic cycle and a long-run projection based on an average over the past three decades. For more information, see the **Cost escalation factors and interest rates** document released as part of the supporting document package.

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contingency allowances can be found in the **T2 Drury Infrastructure Funding and Financing (DIFF) - Cost Allowances** report including in the supporting documents pack.

3.3.5 Review of Auckland Council's Cost Methodology

68. To ensure the robustness of our calculations, we contracted Deloitte to formally review our cost estimation methodology⁵. This review recommended that we take a more consistent approach to cost escalation, land acquisition costs, and contingency across our asset groups ensuring each group is using the best available data. In response, we have adjusted our cost estimation methodology for Drury to ensure that our asset groups use a consistent approach to cost estimation, where this is appropriate. We will consider the incorporation of these changes into the wider contributions policy as part of our future policy reviews.
69. The review also made recommendations increasing transparency on our use of expert input, quality assurance and our underlying assumptions. In response, we have documented the cost methodologies for each of our asset groups, which have been released as part of this consultation package:
- T2 Drury Infrastructure Funding and Financing (DIFF) - Cost Allowances
 - T3 Property cost estimation – for the Drury area (Transport)
 - P1 Open Space Cost Modelling Method
70. Project cost estimates will be reviewed as any changes occur (and generally 3 yearly as input to the LTP/RLTP cycle), including projects planned beyond 10 years, then more frequently as project planning and business case activity advances in preparation for project delivery.

3.4 Third Party Funding

71. Auckland Council receives funding for a share of the transport projects we deliver from the National Land Transport Fund administered by Waka Kotahi. This funding is granted in three yearly investment packages. This funding is deducted from the costs of projects to be funded by contributions. This requires us to make assumptions on how much funding will be received in the outer years of our investment programme. For Drury we have assumed that:
- arterial roads will receive Waka Kotahi Funding Assistance Rate (FAR) of 51 per cent. This means that developer contributions are assumed to only fund 49 per cent of the growth share of arterial road costs
 - collector roads will receive 0 per cent FAR as these are not normally funded by Waka Kotahi.
72. These are the same assumptions used in the Contributions Policy 2022 and the 10-year Budget 2021-2031.
73. We expect central government to clarify details of the infrastructure grants for Drury through its New Zealand Upgrade Programme (NZUP) in the coming months. The projects to be funded are currently unknown. Any infrastructure project or part project included in this proposal that is granted NZUP funding will be removed from the final Contributions Policy proposal. Our Contributions Policy will be adjusted for any future Central Government funding announcements.

3.5 Assessing the benefit period

74. Legislation requires the council to consider the period over which the benefits of growth-related capital spending will accrue across the community.

⁵ See **R2 Auckland Council Cost Estimation Review** report prepared by Deloitte

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75. In greenfield areas, the main benefit of the council's provision of infrastructure that it provides additional capacity which enables development of the land. Owners of land benefit from appreciating land prices and gain the ability to develop in advance of the actual delivery of the council infrastructure. The benefits to growth from an infrastructure project end when the additional capacity provided has been consumed (the "usage benefit" of infrastructure on an ongoing basis is typically funded through general rates). For Drury we have sized infrastructure based on the full build out population in 2060. The benefit period we have used for Drury is therefore from now (the current year) until 2060.
76. We asked PricewaterhouseCoopers (PWC) to review our assumptions on the benefit period as part of their review of our benefit assessment methodology. PWC supported our approach, stating that "the relative benefits between developers are likely to be similar over time" and that Auckland Council's methodology of sizing infrastructure for total final population means that "the benefit of additional capacity is likely to be derived equally by developers, irrespective of timing."
77. PWC noted that in instances where an interim solution is provided, that solution may result in a smaller area of benefit than the final solution. For example, a collector road delivered as an interim solution is likely to have a narrower area of benefit than the arterial road that is ultimately delivered. Under Auckland Council's methodology, the cost of the ultimate solution is reduced to reflect the investment that has already been made (i.e. the cost of the ultimate solution is the cost of upgrading the interim solution.) This means that those developers that are not direct beneficiaries of the collector road still benefit from its delivery as an interim solution, through reduced costs to deliver the arterial road. PWC also considered that differentiating between the areas of benefit for the interim and ultimate solutions would add complexity and potentially "lead to inequitable outcomes."
78. Our approach to assessing the benefit period for Drury differs in the assessments used for our wider Contributions Policy 2022. In this earlier analysis the benefit period for some projects was defined as starting once construction of the infrastructure was complete. PWC considered such an approach would not be appropriate for greenfield areas like Drury, as "Defining the current population as the population as at the point at which construction ends is likely to underestimate the actual growth population. This is because growth often occurs prior to, but in anticipation of, the completion of an infrastructure project." PWC recommendation was that the council should use the lower value of the estimated capacity life (the point at which the infrastructure use reaches full capacity) and a general limit of 30 years when determining the end point for the future population calculation. It was also recommended that the general limit of 30 years for estimating the capacity life when calculating the growth population, could be overridden with another assumption where there is sufficient justification. For clarity, the Drury investment programme would be an example of an investment where it is appropriate to adopt a different approach
79. Assessing the benefit period for Drury as being from the current year until full build out in 2060 is consistent with PricewaterhouseCoopers's recommendation. We will review the benefit period for infrastructure projects outside Drury to ensure they are appropriate for the specific circumstances of each project. This will be done as part of the next review of the Contributions Policy 2022.

3.6 Determining the share of costs to be recovered from growth

80. Our asset groups follow the same broad approach to assessing the share of costs to be recovered from growth. The first step in the process is to subtract any costs attributable to the renewal of existing assets. A growth project that upgrades or replaces an existing asset has a renewal component if it removes or delays the need to renew that asset. This part of the project will be funded from rates.

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81. The remaining project costs are then apportioned between growth (developers) and existing residents (ratepayers), based on consideration of who is causing the need to invest and who will benefit from the investment.

3.6.1 Assessing Renewal Costs

Transport

82. Our proposed transport investment includes a renewal component that must be excluded from the share of costs to be allocated. The existing local transport network in Drury generally comprises rural roads which will need to be converted to urban roads. The CAPEX estimates for transport projects typically assume full re-construction of the existing road to provide the appropriate urban streets. As such, it is likely that those full re-construction costs would replace or remove the need for renewal of those roads if they remained rural.
83. Auckland Transport has applied an average renewal cost of \$500,000/lane-km of road. As the existing rural roads in Drury are all 2-lane roads, an equivalent renewal cost was therefore applied at a rate of \$1million/km. Given the rural nature of the existing roads, these rates were assumed to include renewal costs at intersections as well as along existing roads. These renewals estimates have been removed from the CAPEX estimates used to allocate costs for contributions.

Parks and Community Facilities

84. The parks, swimming pool and leisure centre are all new facilities for the Drury area and are not replacing existing facilities. As such there is no renewal component associated with the provision of these facilities.
85. There is an existing 482 sqm rural library and community hall facility in Drury which would be replaced by the new facility. We have calculated the cost of this renewal element using the proportion of existing floor area to the floor area required for the new library facility (482sqm divided by 2830 sqm).⁶
86. We have taken a similar approach to adjusting the requirement for land. While not strictly a renewal, we have still deducted a share of the land costs to adjust for this existing level of service. This existing land share has been assessed as double the floor area of the existing library and hall, so 964 square metres. This gives an adjusted land requirement of 18,316 square metres.

3.6.2 Assessing Causation

87. Existing residents contribute to the need for the project if:
- under our provision metrics⁷, there is service gap for those residents, that will be addressed by the project; and.
 - we would deliver some or all of the project even if there was no growth occurring.
88. Our provision metrics differ between rural and urban areas. Depending on the type of infrastructure, low or no provision of services in rural areas does not constitute a service gap. For greenfield areas this means that the need for investment is primarily driven by growth.
89. In Drury, we will be delivering new parks and community facilities solely in response to growth, as the existing population does not meet the threshold for additional services. This means we assign 100 per cent of causation for these assets to growth.

⁶ Applying the existing renewal share to the library facility results in a larger deduction for the renewal than if we applied it to the community facility. This is because the cost of developing a library is assessed as being more expensive than a community space. Applying the renewal to the community facility would result in a deduction of \$4.7 million.

⁷ See for example our Open Space Network Provision Policy

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90. It is not feasible to precisely assess the extent to which existing residents benefit from or cause the need for individual transport projects. This is because our planned transport investment in Drury will form part of the network that responds to a number of drivers and delivers a range of benefits.
91. We therefore use a simplified approach to assessing causation and benefit for transport investment in Drury. Under this approach, we assume that causation equals benefit, as assessed in the following section.

3.6.3 Assessing Beneficiaries

92. Even if the existing population does not contribute to the need for the project, they receive the benefit of any increased level of service the project provides to them. We assess the share of benefits attributable to existing residents as the proportion of the population within the catchment for the project at the start of the benefit period compared to the population in the same catchment at the end of the benefit period. Conversely, the share of benefit attributable to growth is the proportion of the growth population to the population at the end of the benefit period⁸.
93. The metric we use to assess benefit depends on the nature of the infrastructure, and the level of information available at the time the assessment is made. For our parks and community facilities we use resident population, as the benefits of these facilities are considered to accrue to residents and not businesses. For transport we use a measure weighted between households and employment as described below.
94. Some Drury infrastructure, such as the pool and leisure centre, as well as strategic transport infrastructure, will serve an area that extends beyond Drury. Other infrastructure, such as a neighbourhood park, will only serve part of the Drury area. We assess the growth share using the population (or weighted Household-Employment estimate) within the appropriate catchment for each project. The growth share will differ between catchments, based on the size of the existing population, and the expected growth over the period. We use these growth shares to assess the total benefit to growth (after considering both causation and benefit) in that catchment. The total share of benefit then determines the share of project costs attributable to growth in the catchment.

Growth share of transport investment benefit

95. Demand for transport services is driven by a mix of residential and business development. We have assessed the relative transport benefits using a weighted measure of growth based on the expected households over the growth period plus a 0.5 weighting on future employment over the same period.
96. The benefits for transport vary by location. We have assessed the share of benefit to growth across seven sub-areas: Drury East, Drury West1, Drury West2, Ōpaheke Drury South, Paerata/Pukekohe, Papakura/Takaanini and Auckland wide. (See Drury Funding Area Maps document in the supporting information pack). Table 3.6.3a shows the forecast households, employment, weighted Household-Employment estimate and growth share across each of these areas.

⁸ The methodology used to assess beneficiaries for transport projects in Drury differs from that used across our wider network. Other areas have been assessed using the “Rule of Half”, which allocates half the share of costs for level of service improvement that serves growth to existing residents (to be paid from rates). This reflects the fact that in brownfield areas, existing residents may benefit from a higher level of service than that planned, until the capacity of a new investment is fully used. PWC considered this approach inappropriate to apply to greenfield areas such as Drury, as it does not place sufficient weight on causation. In response, we have adjusted our methodology for Drury as set out above. The approach we have taken to Drury may not be appropriate for non-greenfield areas. We will assess the appropriate share of causation and benefit for transport projects in other locations as part of future reviews of our contributions policy.

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Catchment	2022 Household forecast	2022 Employment Forecast	2022 Weighted household employment estimate	2060 Household forecast	2060 Employment Forecast	2060 Weighted household employment estimate	Growth share of 2060 estimate
Drury East	284	195	381	7,186	3,840	9,106	95.80%
Drury West1	530	284	671	7,810	1,826	8,723	92.30%
Drury West2	226	397	424	5,371	2,495	6,618	93.60%
Ōpaheke	660	1,439	1,379	4,262	3,109	5,817	76.30%
Southern Growth Area 1	18,357	10,245	23,480	30,603	16,462	38,835	39.50%
Southern Growth Area 2	295	391	490	1,000	6,296	4,148	88.20%
Southern Growth Area 3	10,173	9,469	14,908	25,329	15,668	33,160	55.00%
Auckland wide	568,693	713,220	925,302	918,824	1,038,793	1,438,221	35.70%

Growth share of parks investment benefit

97. The parks growth share of benefit is assessed based on the catchments used for determining the requirements for parks (see Table 3.2.2a in section 3.2 Projects to be delivered in Drury.) From this, the share of benefit for parks attributable to growth in Drury has been assessed as 100 per cent for Suburb Park land acquisition, and 99 per cent for Neighbourhood and Civic Park land acquisition. This reflects that there are already parks in the developed parts of Drury, the new parks are to be delivered in the greenfield areas that have minimal existing population.

Growth share of community facility investment benefit

98. The catchments used for community facilities depends on the facility type. For the pool and leisure centre, we use a 10km driving catchment, while for the community centre and library we use a 5km driving catchment. (See Drury Funding Area Maps document in the supporting information pack). Table 3.6.3b shows the population growth share for these catchments.

Catchment	Population 2020	Population 2060	Growth	Growth Share of 2060 Population
5km	12,216	67,380	55,164	82%
10km	67,058	162,149	95,090	59%

3.6.4 Assessing total growth share of benefit

99. We assess the total share of benefit attributable to growth (“the growth share”) by adding together the growth shares causation and benefit and dividing by two. The assessed share of benefit for growth will vary for projects that have different catchment areas. Table 3.6.4 provides the average growth share of benefit by funding area. The parks figures are the average for all parks to be delivered in Drury, while transport is the average for each funding area. You can find details of our growth share splits for individual transport projects in the **Detailed Transport Costs** documents, and for parks in the DC model.

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Asset Group	Catchment	Growth share causation	Growth share benefit	Total Growth Share of investment
Transport	Drury East	88%	88%	88%
Transport	Drury West1	92%	92%	92%
Transport	Drury West2	94%	94%	94%
Transport	Ōpaheke	76%	76%	76%
Transport	Southern Growth Area 1	40%	40%	40%
Transport	Southern Growth Area 2	88%	88%	88%
Transport	Southern Growth Area 3	53%	53%	53%
Transport	Auckland wide	36%	36%	36%
Suburban Parks	Drury	100%	100%	100%
Neighbourhood and Civic Park	Drury	100%	99%	100%
Community Centre	5km	100%	82%	91%
Library	5km	100%	82%	91%
Pool	10km	100%	59%	79%
Leisure Centre	10km	100%	59%	79%

100. Once we have the total growth share by catchment, we can apply the applicable percentage to projects within that catchment.

3.7 Interest Costs

101. The timing of a project relative to when we receive revenue that will pay for that project impacts on interest the council receives or incurs. Interest gained (on revenue received prior to investment) or incurred (on investment costs incurred prior to revenue being received) flows through to the amount of debt that the council takes on.
102. The council has used its effective interest rate for debt in the near term and long term, as forecast by the Auckland Council's Treasury team, to model the contributions price. This is consistent with the approach used in the 10-year Budget 2021-2031. Due to longer time period covered by the proposed amendments to the contributions policy and long-term uncertainty we forecast ahead ten years and assume rates will remain at the ten-year level for the remainder of the forecast period.
103. The council has used its effective interest rate for debt in the near term and long term, as forecast by the Auckland Council's Treasury team, to model the contributions price. This is consistent with the approach used in the 10-year Budget 2021-2031. Due to longer time period covered by the proposed amendments to the contributions policy and long-term uncertainty we forecast ahead ten years and assume rates will remain at the ten-year level for the remainder of the forecast period.
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105. The council has used its effective interest rate for debt in the near term and long term, as forecast by the Auckland Council's Treasury team, to model the contributions price. This is consistent with the approach used in the 10-year Budget 2021-2031. Due to longer time period covered by the proposed amendments to the contributions policy and long-term uncertainty we forecast ahead ten years and assume rates will remain at the ten-year level for the remainder of the forecast period.
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107. Interest rates over time can have a material impact on contributions prices. We will update our interest rates forecasts in our final advice to councillors following this engagement. In addition, it is noted that our contributions policy is updated at least every three years and the interest rate forecasts will be revised at that time.
108. The table 3.7 below sets out the interest rate forecasts.

Table 3.7 Interest Rates										
Measure (percent)	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31 onwards
Interest rate	4.26	4.41	4.44	4.45	4.46	4.49	4.52	4.51	4.49	4.46

3.8 Funding areas

109. Funding areas are set to allocate the costs of growth to the developing properties that will benefit from or cause the need for the proposed investments in infrastructure. The area over which the benefits of a project delivered to support growth extends varies depending on the nature and scale of the project.
110. It is impractical to create and administer funding areas for each project. Individual projects are aggregated into broader funding areas by asset type. Projects are allocated to a funding area, or areas, along with the share of the cost of growth of that project attributable to that funding area.
111. In determining funding areas into which projects are aggregated the council exercises judgement balancing the difference between pricing in smaller sub-areas relative to the average for a larger funding area. The process of averaging charges into fewer larger funding areas will result in some charges being lower and others higher than would be the case if smaller funding areas were used. We weigh variations in the level of benefit received and associated charge within a larger funding area against the administrative cost of having many smaller funding areas.
112. This process is undertaken in two steps:
- establishing the area of benefit for each project
 - balancing exercise to determine appropriate funding area aggregation.

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113. The council applies three tiers of funding area as shown in table 3.8 below:

Table 3.8 Funding Area Tiers	
Tier	Description
Regional	used for infrastructure that provides equivalent benefit to all growth across the region. Infrastructure included in this tier level is usually an integral part of the regional network such as strategic transport infrastructure, or our network facilities such as libraries and sports fields. The infrastructure enables growth to occur across the regional and are available to the whole community without barriers to access or use.
Sub-regional	used for major programmes of work that are integral to a sub-regional network such as east-west link connections and destination facilities like pools. The infrastructure enables growth to occur across a smaller but substantial geographical area and will provide benefit to the same or similar extent within that area.
Local	used for infrastructure which serves a smaller geographical location such as stormwater ponds or neighbourhood parks. The infrastructure provides benefit to multiple developments although they are primarily for the use of residents with proximity to the infrastructure.

3.8.1 Allocating Transport projects to funding areas

114. Establishing transport funding areas and allocating transport projects to them is more complex than for other infrastructure projects. This is because transport projects produce a range of benefits across varying locations. The benefits from a transport project may accrue to the:

- properties in the area of the project who are provided with new or improved connections within the local area and/or to and from the wider region
- neighbouring areas e.g., through the creation of alternative routes reducing traffic movements in another neighbourhood
- wider region e.g., by creating a new route allowing for more efficient trips through the area to another destination.

115. Additionally, the scale and timing of benefits for some project elements will be dependent on the timing of other elements in the network.

116. The following section summarises our approach to allocating transport project costs to funding areas both within and outside Drury. You can find a more detailed explanation of our methodology in the T1 Drury Developer Contributions Policy Transport Assessment document included in the supporting documents pack.

Establish transport projects area of benefit

117. While some types of benefits can be estimated quantitatively (such as via traffic model predictions of likely usage or accessibility improvements for specific projects), such an approach is less feasible for benefits such as improved travel choices and network resilience. It is also difficult to weigh the different types of benefits to a single metric.

118. Because of the complexities of the type and scale of benefits and the inherent uncertainties in predicting future outcomes, we have adopted a simplified method to assess the share of benefits for Drury. This approach uses judgement of the proportional benefit of each project to the sub-areas being connected by the project, and to the wider network. This judgement-based allocation is informed by previous business case studies as well as the detailed investigation undertaken for the Drury transport assessment (see the Drury Infrastructure Funding and Financing Study (DIFF) Transport Assessment attached to the T1 Drury Developer Contributions Policy: Transport Assessment document). Such studies provide insights into the intended purpose and effect of each element, from which the likely beneficiaries can be estimated.

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Allocation to wider area beyond Drury

119. Under this approach we have determined a ‘default’ share of projects costs to be allocated to the wider network, based on the type of project, for both causation and benefits. These default shares are shown in the following tables 3.8.1a and 3.8.1b.

Tables 3.8.1a and 3.8.1b Default Causation and Benefit Shares of Project Costs

Share of Causation attributable to wider network				Share of Benefits attributable to wider network			
The project is being delivered to mostly serve:				The project mostly benefits:			
Project Type:	The wider network outside Drury	Both	The area inside Drury	Project Type:	The wider network outside Drury	Both	The area inside Drury
Strategic	80%	40%	20%	Strategic	80%	50%	40%
Arterial	10%	5%	0%	Arterial	20%	10%	5%
Key Collector	n/a	0%	0%	Key Collector	n/a	5%	5%

120. Under these default shares, a strategic transport project that is being delivered to primarily serve Drury, with most of the benefit accruing to Drury, would produce a 20 per cent share of causation and 40 per cent share of benefit to the wider network. The total share of benefits for the wider network is therefore 30 per cent i.e., the average of the causation share and the benefit share. In this case, 70 per cent of the total costs of the project will be funded from contributions in the Drury area.

121. The default shares have been adjusted for individual projects, where the scale or type of project did not suit these simplifying assumptions. Typically, such exceptions involved:

- an increased external share where the project was on the edge of the potential funding area and on a major (strategic) route connecting to adjacent communities
- reduced external share for connections onto strategic or arterial corridors which were primarily to support local development

Allocation to sub-areas within Drury

122. Allocation between the smaller, internal sub-areas was more project and context specific, but again based on similar considerations such as:

- which growth areas are primarily causing the need for the upgrade, with higher weighting for those areas directly supported by the project and lower weighting for adjacent areas that contribute to the cumulative travel on the network
- projects with interim stages were allocated more to directly adjacent areas, while longer-term upgrades applied higher weighting to adjacent growth to address cumulative effects. The interim stages also considered the relative amount of growth that would have occurred at the particular time of implementation in the relevant sub-areas
- although the area will be developed incrementally via a series of independent Plan Changes and developments, many of the projects are required to facilitate a cohesive, connected future community across the whole growth area

123. You can find out more about how sub-areas have been identified and costs allocated between them in the **T1 Drury Developer Contributions Policy Transport Assessment** document included in the supporting document pack.

Establishing transport funding areas

124. Undertaking this analysis for Drury showed significant variance in the level of transport projects growth costs attributable to different to sub areas within Drury. Given this variation in the costs of growth between sub-areas it is not appropriate to have a single funding area for transport in Drury.

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Seven transport funding areas are proposed reflecting the different levels of investment required in each sub-area: four within Drury and three for adjacent neighbouring areas. You can find a breakdown of the transport costs by project in the Detailed Transport Costs spreadsheet release as part of the supporting document pack.

125. The same logic in regard to the funding area applies to projects we propose to invest in within the next ten years. Accordingly, we are proposing to amend the funding areas included in the operative policy for the investment to be made before 2032.
126. Table 3.8.1c below shows the resulting transport charges per HUE for each funding area, including local, sub-regional and regional transport charges. The table shows the adjusted charge for projects to be delivered within the ten year Long-term Plan period, the additional charge for investment beyond 2031, and the resulting total transport charge for each funding area. For comparison, the current transport charge in our operative policy is in the far right column.

Funding area	Adjusted DC charge: inside 10 years	Additional 2031+ DC charge	Total: Proposed DC charge	Current DC charge
Drury East	\$8,902	\$54,656	\$64,448	\$9,792
Drury West 1	\$9,878	\$31,207	\$40,999	\$9,792
Drury West 2	\$7,108	\$11,213	\$21,005	\$9,792
Ōpaheke	\$5,042	\$56,990	\$66,782	\$9,792
Southern Growth Area 1	\$4,026	\$981	\$4,971	\$3,990
Southern Growth Area 2	\$4,328	\$1,711	\$5,701	\$3,990
Southern Growth Area 3	\$4,438	\$1,220	\$5,210	\$3,990

127. The above table also includes an increase to the Auckland Wide transport charge of \$33. Properties outside the above funding areas will also be charged this additional \$33 for Auckland Wide transport. This charge will be in addition to any local or subregional transport charges these properties may be liable for.
128. The majority of the substantive costs in the Ōpaheke area relate to the N-S Ōpaheke Arterial. This project accounts for 95 per cent of contributions funded transport investment in the Ōpaheke funding area. The N-S Ōpaheke Arterial also accounts for 50 per cent of the contributions funded transport investment in the Drury East funding.

3.8.2 Parks

129. All the parks growth costs are allocated to a single Drury/Ōpaheke sub regional funding area. This differs from our standard approach where suburban parks are usually allocated to sub-regional catchments, while neighbourhood parks and civic spaces tend to be allocated to a local catchment.
130. In a greenfield area like Drury/Ōpaheke all the development will require a mix of new park acquisitions. Combining both neighbourhood park and suburb park acquisition within the proposed sub regional Drury/Ōpaheke funding area reflects that the relatively equivalent causation drivers and distribution of benefits between the different sub-areas within the broader funding area.
131. The table 3.8.2 below shows the current and proposed contribution charge per HUE for the Drury/Ōpaheke funding area.

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Table 3.8.2 Current and proposed park contributions charges (\$ per HUE)			
Funding Area	Current DC charge: inside 10 years	Additional 2031+ DC charge	Total: Proposed DC charge
Drury / Ōpaheke	\$11,366	\$18,924	\$30,290

3.8.3 Community Facilities

132. The library forms part of our regional library network. As such, the growth share of cost for this facility is allocated to the regional funding area. This means that developers across the region (not just those in Drury) will help fund the new Drury library. Equally, developers in Drury will be helping to fund libraries in other parts of the region. The growth cost of the proposed Drury library equates to an additional charge of \$97 per HUE in the Auckland Wide funding area.
133. Community centres are considered to be local rather than regional facilities. For Drury, we have allocated the growth share of cost for the community centre to the Drury/Ōpaheke sub regional funding area. We have done this because there is a reasonable level of alignment between the 5 km catchment, we have used to assess the requirement for and benefit from the community centre. Maps of the catchment areas used for our community facilities can be found in:
134. The table 3.8.3a below compares the population within the 5km catchment and the Drury/Ōpaheke sub regional funding area.

Table 3.8.3a Growth share within 5k catchment and Drury/Ōpaheke Funding Area				
Catchment	Population 2021	Population 2060	Growth	Growth Share
Community Centre 5 Km	12,216	67,380	55,164	82.9%
Drury/Ōpaheke funding area	4,035	62,264	58,229	93.5%

135. The community centre catchment and the Drury/Ōpaheke funding area have similar expected populations in 2060. Both areas meet the threshold to trigger the provision of a community centre. The community centre is a fixed size, so the differences in final population do not affect the size (or cost) of facility to be delivered.
136. The community centre 5 km catchment excludes some of the margins of the Drury/Ōpaheke funding area. Charging growth in these marginal areas for the community centre is reasonable because these areas are likely to be within the final 5km drive catchment for the facility once Drury is fully developed, and more roads have been built to connect these areas with central Drury.
137. The community centre 5 km catchment includes some developed parts of Papakura, which are already served by a local community centre facility. Assessing the benefit share on the 5km catchment results in a lower share of the costs being allocated to growth.
138. Having considered all these factors together, we consider it reasonable to allocate the full growth costs of the community centre to the Drury/Ōpaheke sub regional funding area. This equates to an additional charge of \$443 per HUE in the Drury/Ōpaheke funding area.
139. We have assessed the area of benefit for the swimming pool and leisure centre based on a 10-kilometre catchment. This catchment includes all the Drury/Ōpaheke funding area, but also areas beyond. We have calculated the contributions price based on the expected growth in HUEs within the total 10-kilometre catchment. This equates to an additional charge of \$2,614 per HUE in a new Drury Pool/Leisure Centre 10km funding area.
140. The table 3.8.3b below shows the total current and proposed contribution charge per HUE for community facilities, including local and sub-regional charges, in the Drury/Ōpaheke and the Drury Pool/Leisure Centre 10km funding areas. It also shows the regional community facility charge for

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the Auckland Wide funding area (Sub-regional and local charges may also apply, depending on location.)

Funding Area	Current DC charge: inside 10 years	Additional 2031+ DC charge	Total: Proposed DC charge	Drury infrastructure funded by additional charges
Drury / Ōpaheke	\$1,406	\$3,154	\$4,560	Community centre (\$443), library (\$97), pool and leisure centre (\$2,614)
Drury Pool/Leisure Centre 10km	\$584 to \$2,264	\$2,711	\$3,295 to \$4,975	Library (\$97), pool and leisure centre (\$2,614)
Auckland Wide	\$584	\$97	\$681	Library (\$97)

3.9 Time value of money pricing options

141. Under the current Contributions Policy 2022 the contribution charge set for each funding area is fixed for the duration of the 10-year budget and will not change unless the policy is formally amended, or a new contributions policy is adopted.
142. We are proposing to set a single price for the investments covered in this proposal consistent with our current policy. An alternative approach is to set in the policy annual incremental adjustments to our contribution charges to reflect the benefit the council receives from early payment of contribution charges compared to later payments. We are seeking your feedback on both of these options for pricing. The table below shows how the contribution charge would change between 2023 and 2060 under such an approach.
143. There is no net benefit to the council under either approach. In either case contributions charges are assessed so that the total we expect to collect covers the cost of investment plus interest costs for payments received after the investment is made, less the interest on payments made after the investment. Under an incremental approach, early payers will pay less, while late payers will pay more. The following table 3.8.3c shows two options for calculating our contribution charges for Drury:
 - Fixed: under the fixed option the contribution charge price will not change until our policy is amended, which happens at least every three years
 - Incrementing: the contribution charge price is increased each year, based on the expect rate of interest between now and full build out. The table shows the price in 2023 and in 2060 under this option

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Table 3.8.3c Time Value of Money Pricing Options			
Funding Area	Option 1: Fixed Price	Option 2: Incrementing Price	
	2023-2060	2023	2060
Drury East	\$99,298	\$58,580	\$207,738
Drury West 1	\$75,848	\$53,808	\$179,788
Drury West 2	\$55,855	\$38,107	\$111,952
Opaheke	\$101,631	\$61,193	\$236,445
Southern Growth Area 1	\$45,339	\$43,693	\$52,154
Southern Growth Area 2	\$20,021	\$18,269	\$28,025
Southern Growth Area 3	\$21,113	\$19,513	\$27,458

144. Under the incrementing price option, while the charge increases each year it remains constant in today's dollars. Later charges have the same net present value as early charges.
145. In some cases, consents will be lodged in advance of payment being received. Under the fixed price option, the developer will pay the charge that was in effect at the time that they lodged their consent. Under the incrementing price option, the developer will pay the incremented charge that applies at the time they pay as set out in the policy that was operative at the time they lodged their consent.
146. Changes to our contribution policy that increase charges only apply to consents that are lodged after the policy change is adopted. Developers who have lodged a consent prior to the policy change, will still pay the charges in effect at the time they lodged their consent, regardless of which pricing option we use.
147. The incremental pricing option may be considered fairer. The single price option charges early payers for interest costs the council incurs for payments received after investments are made. Charging early developers less than later developers recognises the interest earned on their payments prior to capital investments. In practice, early developers have usually paid less than later developers under previous iterations of our policy, even with a fixed price model applied. This is because our three yearly reviews usually result in increases to our charges due to cost increases, which cannot be applied retrospectively to early developers. There is a risk therefore that adopting an incremental pricing option may disproportionately lower the share of growth infrastructure costs collected from early developers.

4.0 Future Work

148. Stormwater requirements for Drury beyond 2031 will be identified and added to the contributions policy as more information becomes available on the location and form of development.
149. Our proposal to amend the contribution charges for Drury as set out in this document is the first step in a broader proposal to include infrastructure to be delivered beyond 2031 in our contributions policy. Should we adopt the proposal for Drury, we will begin work to also include infrastructure beyond 2031 for our other investment priority areas, starting with Northwest.
150. We are continuing our work on demand factors (which determine how many HUE charges a development attracts) which was interrupted by COVID-19. We expect to set out our proposals for any changes in the next contributions policy review.

4.1 Amending our contribution charges methodology

151. As noted in this document, aspects of our methodology differ from that used in our current Contributions Policy 2022. Some of these changes reflect the specific circumstances of Drury, while others may be applicable when calculating contribution charges in other parts of Auckland.
152. Future reviews of our contributions policy will consider these methodology changes and assess the appropriateness of applying them to other areas of our policy. This includes their application to updates of existing contribution charges, as well as to our planned future work on other investment priority areas.