

Cessnock City Council

***TOURISM SECTION 94
CONTRIBUTIONS PLAN***

MARCH 2014

CESSNOCK SECTION 94 CONTRIBUTIONS PLAN – TOURIST DEVELOPMENT

Table of Contents

PART A: SUMMARY SCHEDULES

- Summary of Contribution Rates
- Summary of Works

PART B: ADMINISTRATION AND ACCOUNTING

- Name of the Plan
- Purpose of the Plan
- Area the Plan Applies To
- Relationship to Other Plans and Policies
- Preparation
- Formulas
- When Contributions are Paid
- Deferred/Periodic Payments
- Works in Kind
- Adjusting Contributions
- Construction Certificates and the Obligation of Accredited Certifiers
- Savings and Transition Arrangements

PART C: STRATEGY PLANS

- Nexus
- Expected Development
- Population Increase and Characteristics
- Meeting Needs of the Population
- Public Facilities
- Contribution Rates
- Cost and Staging

PART D: SUPPORTING DOCUMENTS

- Reference Material

PART A:

SUMMARY SCHEDULE

Summary of Contribution Rates (Indexed to 1 MARCH 2014)

Contribution Type	Plan Preparation & Administration	Tourist Information and Signage	Vineyards District Roads & Bridges
Per additional room of tourist accommodation	\$ 53.10	\$ 650.52	\$ 875.00
Per additional person for non-standard tourist accommodation	\$ 35.00	\$ 433.28	\$ 582.93
Per square metre of Wine Sales area	\$ 16.90	\$ 167.76	\$ 225.69
Per square metre of Restaurant or café	\$ 16.90	\$ 167.76	\$ 225.69
Per square metre of Gallery or other tourist sales/display	\$ 16.90	\$ 57.93	\$ 77.24

Summary of Works

	2001/05	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Wine Interpretive Centre	\$1,369,992 (\$2,716,591)						
Info Signs	NA	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Roads and Bridges	NA	\$650,000	\$670,000	\$330,000	\$554,100	\$670,000	\$612,000

Note: All amounts are indexed to 2006 dollars.

PART B:

ADMINISTRATION

AND

ACCOUNTING

Name of the Plan

1. This plan may be cited as “Cessnock Section 94 Contributions Plan: Tourist Development”.

Purpose of the Plan

2. The purpose of this plan is to identify requirements for contributions by tourist development towards the cost of providing public facilities and services funded in whole or in part by Cessnock City Council and to provide a basis for the management and accounting of such contributions. The specific aims of the plan are to:
 - Apply Section 94 contributions in a manner that is fair, reasonable, publicly accountable and equitable;
 - Ensure that new tourist development contributes to the provision of public facilities and public services the need for which is caused by the development;
 - Ensure that the contributing development benefits from the public facilities and services financed from those contributions; and
 - Ensure that public facilities and services are appropriate to the needs of those who contribute to their provision and are provided within a reasonable time.
3. The plan applies to all tourist related developments in the City of Cessnock including, but not limited to:

Wineries; wine sales outlets; hotels and motels; caravan parks; holiday cabins; other tourist accommodation facilities; restaurants; registered clubs and country clubs; galleries; art and craft centres; heritage or other theme parks; tourist ‘diversions’; ‘tourist recreation facilities’ as defined in Cessnock LEP 1989; and other development that may reasonably be considered to serve tourists.

However, the plan is subject to any exclusions or special requirements that the Minister may specify under a Section 94A direction.

Area the Plan Applies To

4. The plan applies to the whole of the Local Government Area of Cessnock. Additional contributions are required within specified contributions districts.

Relationship to Other Plans and Policies

5. The “Cessnock Section 94 Contribution Plan: Tourist Development Came into effect on 1st October 2003 and repealed the “Cessnock Tourist Development Plan No.2” dated 17 November 1993.
6. This Plan represents a review of the 2003 Contributions Plans for Tourist Development and was adopted by Council on 7 February 2007 as a new plan for implementation from 15 February 2007.
7. The Plan should be read in conjunction with Cessnock Local Environmental Plan 1989 and applicable Development Control Plans.

Preparation

8. The Cessnock Tourist Development Section 94 Contributions Plan 2003 was prepared by Andrews Neil Environmental Pty Ltd. Consulting Planners on behalf of Cessnock City Council during 2001/2002 on the basis of information relating to the 2002 to 2012 period.
9. The plan was subsequently reviewed by Cessnock City Council in 2006 in terms of the Developer Contributions Practice Notes issued by the Department of Infrastructure, Planning and Natural Resources and updated on the basis of further information at hand and with a focus on the 2006 to 2012 time span. The Plan has been formulated in terms of the requirements of the Environmental Planning and Assessment Act.

Formulas

10. The formulas used for calculation of contributions under this plan are based on the following assumptions:
 - Similar visitation patterns exist for day trip visitors and overnight visitors with 50% at weekends and 50% weekdays
 - Average overnight stay is 2.4 nights
 - Average room occupancy is 1.5 persons
 - Up to 30 per cent of day trippers travel by coach
 - Average vehicle occupancy is three (3) persons
 - Car parking requirements area as per Council's parking code

When Contributions Are Paid

11. Unless otherwise agreed by Council, contributions are to be paid as follows:
 - In the case of a development involving subdivision, prior to release of the subdivision certificate:
 - In the case of a development involving construction, prior to release of the construction certificate; and
 - In the case of all other development, prior to release of the development consent.

Deferred or Periodic Payments

12. Council may accept the deferred or periodic payment of a contribution if the applicant or any other person entitled to act upon the relevant consent satisfies the Council that:
 - a) Compliance with the provisions relating to when contributions are payable is considered unreasonable or unnecessary in the circumstances of the case; and
 - b) The deferment of payment or allowing periodic payments does not prejudice the timing or the manner of the provision of the public facility or service for which the contribution was required as outlined in the Capital Works Program.

The decision to accept a deferred or periodic payment is at the sole discretion of Council.

13. All requests to Council for deferred or periodic payments should be formulated in writing based on consultation with Council and forwarded to Council prior to the determination of a development application by Council.
14. Council may, if it decides to accept a deferred or periodic payment of a contribution, require the applicant to provide a bank guarantee by an Australian Bank for the contribution or the outstanding balance on condition that:
 - a) The bank guarantee –
 - I. Requires the bank to pay the guaranteed amount unconditionally to Council where it so demands in writing not earlier than 6 months (or a term otherwise determined by Council) from provision of the guarantee or completion of the development or stage of the development to which the contribution or part relates;
 - II. Prohibits the bank from having recourse to the applicant or other person entitled to act upon the consent or having regard to any appeal, dispute, controversy, issue or other matter relating to the consent or the carrying out of development in accordance with the consent, before paying the guaranteed amount;
 - III. Provides that the bank's obligations are discharged when either the payment is made to Council according to the terms of the bank guarantee, the related consent lapses or if Council otherwise notifies the bank in writing that the bank guarantee is no longer required; and
 - b) The applicant pays interest to Council at the commercial interest rate on the total contribution required under this Plan on and from the date when the contribution would have been payable in accordance with this Plan.

Works in Kind and Dedication of Land

15. Council may accept an offer by an applicant to provide works in kind as full or partial payment of a contribution or the provision of a material public benefit in lieu of payment of a contribution.

Adjusting Contributions

16. All contributions will be indexed. In the case of contributions for land acquisition indexation shall occur annually on a date determined by Council. In the case of works, indexation shall occur quarterly on the first day of March, June, September and December.
17. The formula applied to quarterly indexation of contributions is based on the Consumer Price Index – All Groups – Sydney.

The CPI adjustment is calculated as follows:-

$$\text{Current Rate} = \frac{\text{Initial Rate Under Plan}}{\text{Base CPI}} \times \frac{\text{Current CPI}}{\text{Base CPI}}$$

Where,

The Base CPI is the most recently published figure for the Consumer Price Index – All Groups – Sydney for the date prior to adoption of the Plan, i.e. the Base CPI is 156.1 (December, 2006).

The current CPI is the most recently published quarterly index for the CPI – All Groups – Sydney prior to the date of payment of the contribution or agreed date/s for deferred/periodic payment under Clause 12.

Indexation of contributions at the time of payment will be updated by utilizing the following formula.

$$\text{Current Contribution} = \frac{\text{Contribution at Date Of Development Consent}}{\text{Current CPI at date of Development Consent}}$$

Current CPI is the most recently published quarterly CPI.

CPI figures applicable to this formula are:-

1/12/06	-	1/03/07	156.1	87.2	(Revised by ABS)
1/03/07	-	1/06/07	155.8	87.0	
1/06/07	-	1/09/07	155.6	86.9	
1/09/07	-	1/12/07	157.4	87.9	
1/12/07	-	1/03/08	158.1	88.3	
1/03/08	-	1/06/08	159.5	89.1	
1/06/08	-	1/09/08	161.7	90.3	
1/09/08	-	1/12/08	164.1	91.7	
1/12/08	-	1/03/09	165.9	92.7	
1/03/09	-	1/06/09	165.5	92.4	
1/06/09	-	1/09/09	165.6	92.5	
1/09/09	-	1/12/09	166.3	92.9	
1/12/09	-	1/03/10	168.1	93.9	
1/03/10	-	1/06/10	169.1	94.4	
1/06/10	-	1/09/10	170.5	95.2	
1/09/10	-	1/12/10	171.1	95.6	
1/12/10	-	1/03/11	172.5	96.3	
1/03/11	-	1/06/11	173.1	96.7	
1/06/11	-	1/09/11	175.9	98.2	
1/09/11	-	1/12/11	177.6	99.2	
1/12/11	-	1/03/12	178.8	99.9	
1/03/12	-	1/06/12	178.7	99.8	
1/06/12	-	1/09/12	178.8	99.9	
1/09/12	-	1/12/12	179.9	100.5	
1/12/12	-	1/03/13	-	102.2	
1/03/13	-	1/06/13	-	102.3	
1/06/13	-	1/09/13	-	102.7	
1/09/13	-	1/12/13	-	103.1	
1/12/13	-	1/03/14	-	104.3	

18. Construction Certificates and the Obligation of Accredited Certifiers

In accordance with section 94EC of the EP&A Act and Clause 146 of the EP&A Regulation, a certifying authority must not issue a construction certificate for building work or subdivision work under a development consent unless it has verified that each condition requiring the payment of monetary contributions has been satisfied.

In particular, the certifier must ensure that the applicant provides a receipt(s) confirming that contributions have been fully paid and copies of such receipts must be included with copies of the certified plans provided to the council in accordance with clause 142(2) of the EP&A Regulation. Failure to follow this procedure may render such a certificate invalid.

The only exceptions to the requirement are where a works in kind, material public benefit, dedication of land or deferred payment arrangement has been agreed by the council. In such cases, council will issue a letter confirming that an alternative payment method has been agreed with the applicant.

19. Savings and Transition Arrangements

- a. A development application which has been submitted prior to the adoption of this plan but not determined shall be determined in accordance with the provisions of the plan which applied at the date of determination of the application.
- b. Where a development application was lodged and determined under the provisions of a previous contributions plan, but at the date this Contributions Plan came into effect the contribution had not been paid, the amount of that contribution is to be reviewed and adjusted (if necessary) in accordance with the provisions of the contributions plan in operation at the time the application was determined.

PART C:

STRATEGY PLANS

Nexus

1. Nexus is one of the key principles which underpin the developer contributions system along with reasonableness, apportionment and accountability. Nexus refers to the relationship between the proposed development and the demand for public facilities and services created by the development. A contribution levied must be for an increased demand for a public facility or service that is caused by the development. There are three aspects to nexus:
 - Causal nexus – the proposed development creates a need or increases the demand for a particular public facility or service;
 - Spatial or physical nexus – the proposed public facility or service will be located to serve the needs of those who created the demand for it;
 - Temporal nexus – the proposed public facility or service will be provided within a reasonable time to benefit those who contributed towards it.

Expected Development

2. This plan relates to demand for services created by a range of types of tourist development in the City of Cessnock including:
 - Tourist accommodation in the form of hotels, motels, resorts, holiday cabins, guest houses and the like;
 - Wine and food premises including wineries/wine sales outlets, restaurants and cafes; and
 - Other tourist uses including art and craft centres, galleries, theme parks, tourist recreation facilities and other tourist “diversions”.
3. The types of development to which the plan applies are subject to any exclusions or special requirements that the Minister may specify pursuant to a Section 94A Direction.

Population Increase and Characteristics

4. The number of tourists visiting the Cessnock Local Government Area is expected to continue to increase over the period 2006 to 2012. Since July 2002 Hunter Wine Country Tourism has been gathering statistics on visitor numbers to the area. Visitor numbers over the period 2003/2005 averaged 118% more than the estimates provided in the Hunter Wine Country Tourism Strategic Plan, 1998 and utilized as a basis for the Tourism Section 94 Plan 2003.

5. It has been previously estimated by Wine Country Tourism Inc. that the pattern of visitation has generally been 30% overnight stays and 70% day trips, however that the number of overnight visitors is increasing with the significant increase in available accommodation. During 2003/2005, the pattern was 33% overnight stays and 67% day trips. For the period 2006/2012 an increase to 36% overnight visitors and 64% day trips has been allowed. The average overnight stay has been identified as 2.4 nights and is not anticipated to change significantly over the period 2006 to 2012.
6. A conservative low growth scenario in visitor numbers of approximately 30% (5% average per annum for the period of 2006/2012) has been utilized for this plan and on the basis of the other assumptions outlined above, the projections of tourist visitation are as follows:-

Table: Cessnock LGA Tourist Visitation Estimates

Year	Overnight visitors	Day trip visits	Total Visitors
2003/2005 (avg.annual)	777,228	1,584,133	2,361,361
2006 (est.)	794,347	1,612,765	2,407,112
2007	846,702	1,680,766	2,527,468
2008	902,306	1,751,535	2,653,841
2009	961,354	1,825,179	2,786,533
2010	1,024,051	1,901,809	2,925,860
2011	1,090,614	1,981,539	3,072,153
2012	1,161,274	2,064,487	3,225,761

7. The estimated increase in overnight visitors over the next 6 years is therefore 366,927 and in day trips 451,722. At an estimated average stay of 2.4 nights overnight visitors will effectively represent 66 % of future demand and day trip visitors 34 % of future demand.
8. The minimum number of additional rooms anticipated over the next 10 years to accommodate the increase in tourist stays is 1783 assuming an average room occupancy of 1.5 persons and vacancy rate on an annual basis of 50 per cent. Up to 10 % of additional accommodation may occur in locations unrelated to the vineyard district and therefore an additional 1605 rooms are likely within the vineyard district.

Meeting Needs of the Population

9. The number of tourists visiting the Cessnock area has more than doubled in recent years and will continue to increase requiring a substantial upgrading of services provided for use by tourists and placing a significant additional burden on the road system within the vineyards district in particular. To satisfy this increased demand Council has constructed a new Wine Interpretive and Visitor Services Centre, will upgrade existing and provide additional tourist information and directional signage and will upgrade roads and bridges within the defined Vineyards District to cope with the increase in traffic generated by the additional visitors.

Provision of Public Facilities – Wine Interpretive Centre

10. Council has constructed a new Wine Interpretive and Visitor Services Centre at Pokolbin adjacent to the Cessnock Aerodrome. The Centre was completed at a total cost of \$2,716,591 and commenced operation late 2001. Funding for the Centre came from the following sources (expressed in DECEMBER 2006 dollars):

a. Government grants and private sector sponsorship etc	\$832,092
b. Section 94 contributions to date	\$514,507
c. Council upfront funding via loans and revenue	<u>\$1,369,992</u>
	<u>\$2,716,591</u>

Funding at this stage is identified as approximately 50% from contributions and government grants and 50% from loans and other sources bankrolled by Council. As the total tourist visits have doubled in recent years and will continue to rise in significant numbers, the \$1,369,972 bankrolled by Council will be sought through developer contributions.

11. The Wine Interpretive and Visitor Centre provides information and booking services for tourists to the vineyards district and to other areas and attractions in the Cessnock LGA and therefore provides services required by all tourists to the area.

Provision of Public Facilities – Information Bays and Tourist Signage

12. Increasing numbers of tourists requires an expansion and updating of tourist directional signage and information displays in areas of tourist interest within the LGA, including the vineyards district.
13. Expenditure on directional signage and information displays for tourists will require \$72,000 over the next six (6) years, at an average of \$12,000 per annum.

Provision of Public Facilities – Road Upgrading (Vineyards District)

14. Council's Capital Works Program for 2006-2012 anticipates expenditure of \$3,486,100 on upgrading roads in the vineyards district at Pokolbin and Lovedale in response to increased traffic volumes. The Roads to Recovery grant funding program will provide \$1,740,000 or approximately 50% of the required funding over this period. The remaining funding must therefore be derived from other Council revenue, in this case future Section 94 contributions.
15. A total of \$3,486,100 will therefore be expended to upgrade roads to meet the demands on roads in the vineyards district from increased traffic generated by additional tourists over the next six years.

Contribution Rates – Tourist Accommodation (Visitor Information and Signage)

- 16. A total of \$1,441,992 will be expended over the next six years to upgrade public information facilities to meet demands created by additional tourists.
- 17. On an annualized basis, overnight visitors represent 66% of the demand for new facilities and day trips 34% resulting in proportional expenditure of \$951,715 and \$490,277 respectively. Contributions are therefore calculated separately for tourist accommodation (which generates overnight visitation) and other forms of tourist use.
- 18. Contributions for tourist accommodation development will therefore be:

$$C = TE \times P / AR$$

- Where C is the contribution per standard room containing 1.5 persons
- TE is the Total Expenditure on information facilities (\$1,441,992)
- P is the proportion of demand from overnight stays (0.66)
- AR is the number of additional rooms anticipated (1,783)

- 19. The contribution to information facilities for tourist accommodation in the Cessnock LGA is therefore \$534 per standard room.
- 20. For non-standard forms of tourist accommodation including backpacker hostels the rate shall be calculated on the basis of the equivalent rate of \$356 per person.

Contribution Rates – Tourist Accommodation (Vineyards District Roads)

- 21. A total of \$1,746,100 will be expended over the next six years to upgrade roads in the Vineyards District to meet demands created by additional tourists.
- 22. On an annualized basis, overnight visitors represent 66% of the demand for new facilities and day trips 34% resulting in proportional expenditure of \$1,152,426 and \$593,674 respectively. Contributions are therefore calculated separately for tourist accommodation (which generates overnight visitation) and other forms of tourist use. Tourist accommodation in the Vineyards District is anticipated to represent 90 % of the total of 1,783 additional rooms.

23. Contributions for tourist accommodation development will therefore be:

$$C = (TE \times P) / (V \times AR)$$

- Where
- C is the contribution per standard room containing 1.5 persons
 - TE is the Total Expenditure on public facilities (\$1,746,100)
 - P is the proportion of demand from overnight stays (0.66)
 - V is the Vineyards District share of growth in rooms (0.9)
 - AR is the number of additional rooms anticipated (1,783)

24. The contribution to road and bridge upgrading for tourist accommodation in the Vineyards District is therefore \$718 per standard room.

25. For non-standard forms of tourist accommodation including backpacker hostels the rate shall be calculated on the basis of the equivalent rate of \$479 per person.

Contribution Rates – Other Tourist Development (Visitor Information and Signage)

26. A total of \$1,441,992 will be expended over the next six years to upgrade public information facilities to meet demands created by additional tourists.

27. On an annualized basis, overnight visitors represent 66% of the demand for new facilities and day trips 34% resulting in proportional expenditure of \$951,715 and \$490,277 respectively. Contributions are therefore calculated separately for tourist accommodation (which generates overnight visitation) and other forms of tourist oriented use.

28. Other forms of tourist use comprise primarily wine sales areas, restaurants and galleries/tourist attractions. The average annual increase in day trip visitors generated by these facilities is 75,287. Contributions for demand generated by these facilities will also take account of multiple visitors to a facility in any day, visitation to more than one facility by any single tourist, number of days per annum the facility effectively operates and the cost per additional tourist.

29. Contributions for wine sales areas, restaurants/cafes and galleries/tourist attractions will therefore be calculated according to the following formula:

$$C = M \times FF \times \$158$$

- Where
- C is the contribution payable
 - M is the net area in square metres used for sale or display or to seat customers
 - FF is the floorspace factor applicable to the type of use
 - \$158 is the contribution per tourist

The floorspace factors are: 0.8696 for Wine sales area

0.8696 for
Restaurants/cafes
0.2986 for Galleries/other

30. From time to time there will be other tourist uses within the LGA which do not involve services to tourists within a building and therefore floorspace based contributions will not be relevant. In these cases, contributions for information facilities and signage will be based on the cost per additional tourist according to the following formula:

$$C = T \times D \times \$158$$

Where C is the contribution payable
T is the total number of customers expected in a year
D is the proportion of customers who are day trippers (0.34)
\$158 is the contribution per tourist

Contribution Rates – Other Tourist Development (Vineyards District Roads)

31. A total of \$1,746,100 will be expended over the next six years to upgrade roads in the Vineyards District to meet demands created by additional tourists.
32. On an annualized basis, overnight visitors represent 66% of the demand for new facilities and day trips 34% resulting in proportional expenditure of \$1,152,426 and \$593,674 respectively. Contributions are therefore calculated separately for tourist accommodation (which generates overnight visitation) and other forms of tourist oriented use.
33. Other forms of tourist use comprise primarily wine sales areas, restaurants and galleries/tourist attractions. The average annual increase in day trip visitors generated by these facilities is 75,287 of which 90 % is related to wine tourism and visits to the Vineyards District. Contributions for demand generated by these facilities will also take account of multiple visitors to a facility in any day, visitation to more than one facility by any single tourist, number of days per annum the facility effectively operates and the cost per additional tourist.
34. Contributions for wine sales areas, restaurants/cafes and galleries/tourist attractions will therefore be calculated according to the following formula:

$$C = M \times FF \times \$213$$

Where C is the contribution payable
M is the net area in square metres used for sale or display or to seat customers
FF is the floorspace factor applicable to the type of use
\$213 is the contribution per tourist

The floorspace factors are: 0.8696 for Wine sales area
0.8696 for Restaurants/cafes
0.2986 for Galleries/other

35. From time to time there will be other tourist uses within the Vineyards district which do not involve services to tourists within a building and therefore floorspace based contributions will not be relevant. In these cases, contributions for Vineyards District roads will be based on the cost per additional tourist according to the following formula:

$$C = T \times D \times \$213$$

Where

- C is the contribution payable
- T is the total number of customers expected in a year
- D is the proportion of customers who are day trippers (0.34)
- \$213 is the contribution per tourist

Contribution Rates - Contribution Plan Preparation and Review

36. Investigation and documentation of revised contributions plans in 2011/2012 will cost \$20,000.
37. The cost of the studies will be apportioned 66% to accommodation based development and 34% to other forms of tourist development (including wine sales areas, restaurants/cafes and galleries/other attractions) based on the assumptions of 1,783 additional rooms and at least 3,000 square metres of additional floorspace over the 6 year life of the plan.
38. Contributions for studies associated with review and preparation of the contributions plan are therefore:
- Per additional standard room \$7
 - Per square metre other tourist development \$2

Contribution Rates – Contribution Plan Administration

39. The administration of the Tourism Development Contribution Plan requires 15% of a full time equivalent staff officer and administration support on an annual basis at an estimated cost of \$99,000 or \$16,500 over the 6 year life of the plan.
40. The cost of plan administration will be apportioned 66% to accommodation based development and 34% to other forms of tourist development (including wine sales areas, restaurants/cafes and galleries/other attractions) based on the assumptions of 1,783 additional rooms and at least 3,000 square metres of additional floorspace over the 6 year life of the plan.
41. The contribution for plan administration is therefore:
- Per additional standard room \$37
 - Per square metre other tourist development \$11

PART D:

SUPPORTING DOCUMENTS

References

1. *A. Stafford and Associates* – Hunter Wine Country Tourism Strategic Plan, 1998
2. *Cessnock City Council* – Contributions Plan for Tourist Development Explanatory Report, 1993
3. *Cessnock City Council* – DCP No 28 Vineyards District
4. *Department of Urban Affairs and Planning* – Section 94 Contributions Manual, 1997
5. *Department of Urban Affairs and Planning* – Review of the Developer Contributions System, 2000
6. Environmental Planning and Assessment Regulation, 2000
7. *ERM Mitchell McCotter* – Draft Contributions Plan for Residential and Tourist Development, Explanatory Report, 1999
8. Department of Infrastructure, Planning and Natural Resources – Development Contributions Practice Notes – 2005
9. *Cessnock City Council* – Tourism Section 94 Plan Contributions Plan, 2003