



SUBMISSION

IN THE MATTER OF: Exposure draft of the Local Government (Infrastructure Funding) Amendment Bill

AREA OF FOCUS: Going for Housing Growth: Supporting Growth Through a Development Levies System

SUBMITTED BY: The Development Contributions Working Group (DCWG)

TO: Ministry of Housing and Urban Development
Te Tūāpapa Kura Kainga
and
Department of Internal Affairs
Te Tai Taiwhenua

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INTRODUCTION

This submission on the Exposure Draft of the Local Government (Infrastructure Funding) Amendment Bill is made on behalf of the Development Contributions Working Group (DCWG).

We note that significant elements of the legislative framework, including key regulations, have yet to be developed and are not included in the exposure draft. As a result, the DCWG's views expressed in this submission may evolve as these components are finalised. The DCWG would therefore welcome the opportunity to comment on these matters once they are available, and prior to the Bill being introduced to the House.

The matters raised in this submission are intended to contribute to the development of an efficient, workable, and enduring charging regime that supports funding growth infrastructure, while providing appropriate protection for developers, territorial authorities and their communities.

The DCWG is available to assist in the further development of the legislation as and when required. Enquires should be directed to Greg Carstens at greg.carstens@hcc.govt.nz or 021 029 49 2228.

BACKGROUND TO THE DCWG

The DCWG is an unincorporated body that represents and coordinates the efforts of local government development contributions practitioners throughout New Zealand and since that time has provided a forum for those in the local government sector to share their experiences and the emerging best practices for development contributions. It has been heavily involved in various reforms and amendments to the development contributions regime since its inception in 2000.

The DCWG consists of senior Council officers and specialists covering the disciplines of local authority policy, finance, management, engineering, asset management, environmental policy, planning and related law. These people are instrumental in creating and administering the various contributions policies for local authorities throughout New Zealand.

A majority of councils participate in the DCWG including rural, provincial and urban councils. Some are experiencing significant population and urban growth while others have modest or little growth pressures. The major 'growth' councils are active participants in the DCWG including Auckland, Christchurch, Hamilton, Tauranga, Waikato District, Waipa, Wellington, and Queenstown.

This submission reflects the views of the DCWG Executive, informed by discussion across participating councils.

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EXECUTIVE SUMMARY

The Development Contributions Working Group (DCWG) supports the Government's objective of reforming growth funding tools to better achieve the principle that growth pays for growth. We acknowledge that development contributions are increasingly under strain in a planning system that is intended to be more flexible, permissive, and responsive to growth, particularly in high-growth urban areas. The move to a development levies framework represents an evolution of the current system rather than a complete departure from it, and if designed and implemented well, will address long-standing limitations.

However, the effectiveness of the proposed development levies system will depend heavily on the detailed design of the legislation, regulations, and supporting guidance. As currently drafted, the system risks repeating a number of the same structural issues that exist under development contributions, including under-recovery of growth costs, excessive reliance on council balance sheets, and the transfer of growth costs to existing ratepayers. The DCWG submits that further refinement is required to fully achieve the stated objective that growth pays for growth.

The ability of councils to enable development is fundamentally constrained by their capacity to fund and deliver enabling infrastructure. Across New Zealand, councils face increasing capital costs, higher financing costs, and tightening fiscal constraints, including debt limits and prospective rates capping. Development levies, like development contributions, are not a standalone solution. They rely on councils having sufficient balance-sheet capacity to forward-fund infrastructure. Where that capacity is constrained, councils will continue to rely on general rates, developer-delivered infrastructure, development agreements, Crown funding including NZTA, and Infrastructure Funding and Financing mechanisms. A realistic growth funding system must recognise and respond to these constraints.

Central to this is the need for the legislation and regulations to enable councils to fully recover the true, long-term cost of growth infrastructure, including appropriate treatment of future cost escalation, land price changes, and net financing costs, and to fairly allocate these costs between ratepayers and early and later developers.

The proposed development levies regime also sits within a broader context of system-wide reform, including the new planning legislation, fast-track consenting, water services reform, and proposed changes to local government funding and rating tools. These reforms collectively increase the permissibility and pace of development, which in turn increases the scale and timing pressures on infrastructure investment. It is essential that the development levies system is fully integrated with the planning framework so that development cannot proceed without clear, enforceable arrangements for funding the infrastructure it requires.

The submission emphasises the importance of regulations playing a central role in setting detailed methodologies, demand units, and financial assumptions, under the oversight of an independent regulator. If these regulations are designed effectively and efficiently, this approach would provide national consistency while retaining sufficient flexibility to reflect differences in scale, growth patterns, infrastructure standards, and demand profiles across councils.

The DCWG supports a managed transition from development contributions to development levies aligned with long-term plan cycles, but considers that phased price implementation carries material risks, including temporary revenue shortfalls, cost shifting to ratepayers, and incentives for pre-transition behaviour. Transitional settings therefore need to be carefully calibrated, particularly in light of concurrent reforms such as rates capping and the timing of new planning instruments. The DCWG notes that views on transition settings are not uniform across councils. DCWG member

councils broadly support the provisions, however Auckland Council does not support the proposed transition provisions, and Tauranga City Council (refer to their submissions) has identified other specific transition risks.

In the DCWG's view, any development levy calculation model prescribed under Schedule 13C must be capable of fully recovering the long-term growth share of infrastructure costs, align cost recovery with the timing of infrastructure demand and benefit, account for the true costs of borrowing and capital cost inflation, and support national consistency while allowing appropriate local application.

In addition to those topics above, the DCWG seeks targeted amendments and clarifications across further key areas, including but not limited to:

- a clearer purpose and principles to reinforce full cost recovery and fair cost sharing;
- flexible but robust approaches to setting levy areas and high-cost overlays that balance simplicity with appropriate price signaling by exception;
- addressing concerns about provisions that reintroduce site-specific micro-adjustments into what is intended to be an averaged levy system, particularly mandatory reductions for non-standard designs.
- improvements to bespoke levy assessment provisions so they apply only where developments create additional or unanticipated demand and do not unintentionally commit councils to infrastructure provision;
- refinement of first-mover provisions to ensure only genuine, scalable capacity-creating infrastructure qualifies and that levy transfers do not undermine council finances or capital programmes;
- clear, consistent, and practical rules for credits, including treatment of demolition, vacant land, and prior contributions;
- removal or clarification of broad Crown exemptions that otherwise shift growth costs onto ratepayers.

Elements of the legislative framework, including key regulations, remain undeveloped in the Exposure Draft, and the DCWG's views may evolve as these components are finalised. The DCWG would therefore welcome further opportunity to engage prior to the Bill's introduction.

Overall, the DCWG considers the proposed development levies system to be a constructive step forward. However, targeted amendments are required for the framework to do the "heavy lifting" necessary to sustainably fund growth-related infrastructure across New Zealand. Addressing the issues identified in this submission is, in our view, essential to avoid replicating existing shortcomings and to ensure the system genuinely supports growth while protecting councils and their communities from long-term financial risk.

The DCWG looks forward to continued engagement in the development levies system and is happy to be available to assist further.

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DISCUSSION OF KEY ISSUES

1. Bespoke levy assessments: s211ZZ-211ZZE, s211ZZC

1.1 Position

- 1.2 ***The DCWG conditionally supports the Bespoke Levy Assessment provisions***, subject to the following recommendations and clarifications.

1.3 Context

- 1.4 Our understanding is that the bespoke levy provisions serve two related purposes. First, they enable councils to recover infrastructure costs from large scale and/or unplanned developments that might otherwise avoid paying their fair share of development contributions. Second, they provide a pathway for development to proceed in situations where infrastructure constraints would otherwise prevent consent from being granted.

- 1.2 **Recommendations** – *see below for individual topic recommendations.*

1.3 Submission points

a. Specify that bespoke Levies are not lower than general levy

- **Issue:** The Bill does not clearly state that bespoke levies are never be lower than the general levy and only operate where a development imposes higher than planned demand. Without clarification, developers may seek bespoke assessments to obtain lower levies, which contradicts the intended purpose.
- **Recommendation** Clearly state in legislation or regulation the applicability of Bespoke levies and confirm they cannot be lower than the general levy.

b. Ensure Bespoke request does not commit Council

- **Issue:** Section 211ZZA(2) provides that a territorial authority “must prepare the bespoke levy assessment” following a developer request. As currently framed, the provision risks creating ambiguity about whether undertaking a bespoke levy assessment implies an obligation on the council to provide, fund, or agree to deliver the identified infrastructure.
- **Recommendation:** Amend the Bill to expressly clarify that preparing a bespoke levy assessment does not commit the council to providing infrastructure or to entering into a development agreement or other funding arrangement. This should include explicit confirmation that councils retain full discretion to decline to proceed with infrastructure provision or related agreements, including where the council elects not to service the development or where alternative funding or delivery mechanisms are more appropriate.

c. Cost recovery

- **Issue:** Bespoke levy assessments may be costly and time consuming to execute, especially where there is no justification for the application, for the benefit of developers. As such, developers should pay the costs of those agreements.
- **Recommendation:** The Bill says councils “must” prepare an assessment. Instead refer to councils working with applicants, at the applicants cost. Add provision for TAs to recover actual and reasonable costs occurred when preparing bespoke levy assessments similar to 211ZZD.

2. Cross-boundary development – under-recovery

1.1 Position

- 2.1 ***The DCWG does not support the (lack of) provisions relating to cross boundary developments*** and notes its substantial implications.

2.2 Issues

- 2.3 Developments located outside a TA's boundary can generate significant demand on the neighbouring TA's infrastructure. The Bill does not enable recovery of development levies across TA boundaries via a bespoke assessment, leaving councils unable to secure fair contributions for infrastructure impacts. Existing mechanisms may apply to excludable services such as water and wastewater provision, but do not address roads, parks, or community facilities.

2.4 Illustrative example

- 2.5 Fast-track developments located immediately outside Hamilton City's boundary would rely predominantly on Hamilton City Council infrastructure, yet are excluded from bespoke levy assessments and cannot be charged under the current development levies provisions. An assessment of three fast-track applications indicates that, in the absence of intervention or private funding agreements, the equivalent growth-related infrastructure costs could exceed \$500 million over the long term. Supporting analysis can be provided if required.

2.6 Recommendations

1. Amend the Bill to expressly allow cross boundary levy arrangements, including extending levy areas into neighbouring districts where a development demonstrably benefits or relies on another TA's infrastructure.
2. Stipulate a process to facilitate the collection and transfer of levy revenue from the collecting TA to the cost incurring TA.
3. Account for Tas collecting levies without 'double dipping'.

3. Calculation methodology (Schedule 13C and s211U)

3.1 Position

- 3.2 **DCWG requires further information about the calculation methodology** to be able to fully comment and submit on this topic.

- 3.3 The Bill does not yet prescribe a specific calculation methodology for development levies, with further detail expected in a subsequent iteration of the legislation prior to introduction to the House. Notwithstanding that, In the DCWG's view any development levy calculation model prescribed under Schedule 13C and regulations should, at a minimum:

- 1) **Recover the full growth share of capital expenditure over the long term**
The model must be capable of recovering the costs of growth-related infrastructure across the full period over which growth creates demand and receives benefit, consistent with the purpose and sufficiency principles. This includes both future and unrecovered historical growth expenditure.
- 2) **Align cost recovery with infrastructure benefit and demand over time**
Levy outcomes should reflect when development creates demand for capacity and when infrastructure provides benefit, avoiding temporal truncation or distortion between growth cohorts.
- 3) **Provide a coherent and transparent treatment of financing costs**

The model must appropriately account for the timing mismatch between capital expenditure and levy revenue, including the cost of borrowing and the time value of money, in a way that is consistent, explainable, and defensible.

4) **Be scalable, robust, and adaptable to uncertainty**

The model must operate reliably across different growth trajectories, infrastructure delivery timings, and policy cycles, and be capable of adjustment through policy updates without fundamental re-engineering.

5) **Be implementable using reasonable data inputs**

While the model must be analytically sound, it should rely on inputs that councils can reasonably compile from existing growth forecasts, capital programmes, and asset planning frameworks.

6) **Support consistency while allowing local application**

National guidance should enable consistent application of core modelling principles across councils, while allowing models to reflect local growth patterns, infrastructure characteristics, and financial contexts.

- 3.4 Modelling undertaken by Hamilton and Auckland Councils' to date demonstrates that model structure materially affects levy and revenue outcomes even when inputs are identical, reinforcing the importance of the modelling methodology.

4. Credits: s211ZD, s211ZC, s211ZE

4.1 Position

- 4.2 ***The DCWG conditionally supports the provisions relating to credits*** as an appropriate mechanism for recognising genuine historical demand on a site, but seeks improvements.

- 4.3 **Recommendations** – see below for individual topic recommendations.

4.4 Submission Points

a. Lack of definition of 'site'

- **Issue:** The term “site” is fundamental to the operation of credits under s 211ZC and s 211ZD, including the requirement that credits apply only to the same site and the same service. However, the Bill does not define “site” for credit purposes. This creates ambiguity in cases involving boundary adjustments, amalgamations, or subdivisions, and risks disputes and inconsistent administration when determining whether credits attach to a legal parcel, a parent title, or a reconfigured allotment.
- **Recommendation:** The legislation should include a clear and definition of “site” for credit purposes, cross-referenced to the land parcel identifier used for rating and development charging. The legislation should also explicitly address how credits are treated following boundary adjustments, amalgamations, and subdivisions.

b. Demolition and transition to vacant lot conflict

- **Issue:** Section 211ZE(1)(b) provides that credits for prior development expire ten years after the building to which the credits relate is demolished. In contrast, s 211ZE(3) provides that a vacant lot retains one unit of demand indefinitely for transport, stormwater, community infrastructure, and reserves, and, where the conditions in s 211ZE(4)(a) are met, for water and wastewater.
- The interaction between these provisions is unclear where a building is demolished and a



site becomes vacant. It is uncertain whether the site should retain credits reflecting its established historic demand (subject to expiry), or whether it should default immediately to the vacant-lot credit regime. This ambiguity materially affects the quantum and duration of credits and risks inconsistent application across councils. The ten-year expiry rule in s 211ZE(1) further complicates matters where long periods elapse between demolition and redevelopment.

- **Illustrative example:** A dwelling constructed in 1970 is demolished in 2010, leaving the site vacant in 2026. Under s 211ZE(1)(b), credits associated with the demolished building would have expired, as more than ten years have elapsed since demolition. However, s 211ZE(3) provides that a vacant lot retains one unit of demand for transport, stormwater, community infrastructure, and reserves, and, if the conditions in s 211ZE(4)(a) are met, for water and wastewater. It is unclear whether the expiry of credits under s 211ZE(1) prevails, or whether the vacant-lot entitlement under s 211ZE(3) applies notwithstanding that expiry.
- **Recommendation** - Clarify how credits apply following demolition. The Act should explicitly state whether, and on what basis, a site transitions from credits reflecting historic demand under s 211ZC and s 211ZD to the vacant-lot regime in s 211ZE(3). For example, the legislation should specify that vacant-lot credits apply only where no credit applies under s 211ZE(1). This clarification would improve consistency and reduce the risk of disputes.

c. Credits for vacant lots

- **Issue:** Credits for vacant lots should only apply where a previous development contribution or development levy has been paid for the same purpose. Vacant lots typically do not have existing demand, although a subdivision may have previously paid a development contribution so should be entitled to a credit. In the current writing of the legislation, both would receive 1 unit of demand in credit.
- **Recommendation**
 1. Specify scope: Notwithstanding the issues raised above about conflicts in the legislation, s 211ZE(3) should specify that credits only apply where a previous development levy or development contribution has been paid for that purpose.
 2. Credit expiry period: Set credits on vacant lots to expire 10 years after the previous demand is claimed to avoid crediting of demand that is not likely to be relevant to the capital programme being recovered for.

d. Clarification on credits for previous contributions

- **Issue:** The current wording of section 211ZC(1)(a) states that a credit must be applied if a previous development contribution, financial contribution or development levy has been paid in relation to a site. It does not specify that the previous contribution needs to be for the same purpose.
- **Recommendation:** Update the wording of 211ZC(1)(a) to read “*a previous development contribution, financial contribution or development levy **for the same purpose** has been paid...*”.



5. Crown exemptions: s211ZZN; 211B

5.1 Position

- 5.2 ***The DCWG does not support the Crown exemption*** for development levies on the basis that it is unjustified, places an unfair burden on the ratepayer, and therefore should be removed.

5.3 Submission point

- 5.4 The Crown exemption for development levies risks shifting growth-related infrastructure costs onto ratepayers. Crown development generates demand for local infrastructure that councils must fund and deliver, and exemptions increase the likelihood that these costs are met through general rates or deferred investment. It is sometimes argued that applying development levies to Crown development would amount to a “double dip” on residents. However, in the DCWG’s view, this conflates funding the development itself with funding the additional local infrastructure capacity required to service that development, which is borne by councils and their communities.

5.5 Recommendation

- 1) remove the Crown exemption as it related to development levies; or
- 2) clarify the exemption so that Crown developments contribute fairly to the growth-related infrastructure they require; or
- 3) if neither is permissible, require an alternative mechanism such as government grant funding or Development Agreements, to ensure the infrastructure burden created by exempt developments is fairly addressed and does not fall on the existing rated community.

6. Definition of development: s211D

6.1 Position

- 6.2 ***The DCWG conditionally supports a clear definition of development*** but is concerned that Section 211D(1)(b)(ii) and 211D(2)(b) may limit legitimate levy charging.

6.3 Issues

- 1) Section 211D(1)(b)(ii) may unintentionally prevent councils from charging levies in legitimate circumstances where a building is subdivided into separate units that create new demand.
- 2) The proposed treatment of garden sheds will cause disputes and does not work with the proposed system for allocating demand.
- 3) Using occupancy as the basis for demand assumptions for extensions is difficult to implement and will inevitably be challenged. Current occupancy is not an reliable indicator of future occupancy or use.

6.4 Recommendations

- 1) amend Section 211D(1)(b)(ii) to enable charges where the subdivision of an existing building into unit titles generates additional infrastructure demand.
- 2) remove occupancy-based assumptions. Either charge using bedrooms or gross floor area.
- 3) remove 211D(2)(a) re charging for any leviable service for garden sheds.

7. First-mover developments: s211T

7.1 Position

7.2 ***The DCWG conditionally supports the first-mover development provisions*** under s211T, subject to the following recommendations and clarifications.

7.3 Context

7.4 A 'first-mover' developer builds infrastructure that creates capacity for others ('beneficiaries'). These future beneficiaries pay the standard levy as they develop. If Council opts for first-mover transfers, part of that levy is passed back to the first mover when they develop.

7.5 For reference, our understanding of the proposed process is explained broadly here, the council would need to:

1. agree, or not, with a developer which infrastructure the developer is providing which in other circumstances would be provided by the council
2. establish the area of benefit of that infrastructure
3. determine whether this was infrastructure the council had otherwise planned to provide
 - a) if not then set a levy in the area in 2 above to recover the growth share of the cost of that infrastructure from other developers within that area and pay to the developer as they are received over time
 - b) if yes and the developer is to provide the infrastructure to the timeframe the council would have done so, pay the developer
 - i) a share of the DLs set in the DL policy for that area as they are received and
 - c) if yes and the developer provides the infrastructure earlier than the council has planned to do so then either
 - i) reprioritise council's planned investments and follow b) above or
 - ii) follow a) above until such time as the council would have invested then follow b) above

7.6 **Recommendations** – see below for individual topic recommendations.

7.7 Submission points

a. Transfer of levy revenue for unfunded projects

- **Issue (1)** Infrastructure related to the first mover provisions isn't Council capex, so it's not eligible for levy funding. Any levy transfer effectively redirects levy revenue for Council funded projects, to a private developer. That means levies are removed from the levy system and ratepayers end up funding it subsidising unfunded developer works.
- **Issue (2)** It is unclear about the developers' own financing costs and whether they can legitimately ask for a share of this to be reimbursed as well.
- **Recommendation:**
 - 1) Clarify that first mover payments qualify as capital expenditure under section 211E(b) and add those payments to its levy policy as capital expenditure and recovered levies against them from the general levy area.

- 2) clarify that developers own financing costs are not eligible to be reimbursed as well as the levy portion.

b. Qualifying infrastructure – scale

- **Issue:** If many small-scale agreements are eligible to enter first-mover agreements the process will be resource-intensive and prone to disputes over reimbursement amounts, timing, and beneficiaries and risk such agreements being used primarily to generate revenue streams for developers.
- **Illustrative example:** a developer is already required, as a condition of consent, to build works such as a two lane road or a water main built to standard Regional Infrastructure Technical Specifications (RITS) dimensions. Although these assets may provide capacity beyond the immediate development's needs, they are simply the minimum feasible construction standard (e.g., you cannot build "half a road"). These situations should not qualify as first mover infrastructure.
- **Recommendation:** Make it explicit in the legislation that first mover agreements must be acceptable to councils and relate to infrastructure of a scale that delivers capacity for a significant number of future beneficiaries, rather than common developer provided infrastructure such as to meet a developer's own consent obligations.

c. Specify calculation method for levy to be transferred

- **Issue:** The Bill states in 211T(2)(c) that "*the amount of revenue obtained from those levies that is to be transferred from the territorial authority to the first-mover developer*" but it does not stipulate how that amount is to be calculated. This lack of clarity will inevitably create uncertainty and increase the risk of disputes regarding the correct methodology for calculating the transferred levy.
- **Illustrative example:** A developer delivers a 'collector road' wider than the local road it would otherwise be obligated to provide as a condition of consent. Only the upsize component of the project should be used in the transferred levy calculation, being the total cost of the road less the standalone cost of the local road after removing the costs of the project relating to level of service and renewals.
- **Recommendation:** That the legislation (or regulations) set out a calculation method. That calculation must ensure that only the capex providing genuine additional capacity (not the entire project) is used to divide by the identified future beneficiaries.

d. Lack of guidance on benefit areas

- **Issue:** Section 211T(2)(b) lacks guidance on defining a "specified benefit area." Benefit areas are difficult to define and without clear guidance, disputes with developers are likely.
- **Recommendation:** Include clear criteria and methodology for defining a "specified benefit area" under Section 211T(2)(b) or in regulations.

e. Council cost recovery

- **Issue:** First mover developer agreements will be costly and time-consuming to execute, and for the sole benefit of developers. As such developers should pay the costs of those agreements.
- **Recommendation:** Add provision for TAs to recover actual and reasonable costs occurred when considering first mover developments. Similar to 211ZZD.

8. Initial assessment of development levies: s211K and 211X

8.1 Position

8.2 *The DCWG conditionally supports the initial assessment of development levies provisions*, subject to the following recommendations and clarifications.

8.3 Recommendations – see below for individual topic recommendations.

8.4 Submission points

a. Risk of long run under-recovery of growth costs

- **Issue:** 211K provides councils discretion on whether to require a development levy on an individual development through the word ‘may’. However, 211X could be interpreted to remove that discretion on what milestone it requires a levy on for any individual development preserving the fundamental under-recovery issue in the current DC regime whereby developers seek large resource consents then land bank and pay historical DCs at lower rates for the life of the development. This could be particularly impactful in the case of Fast Track developments.
- **Recommendation:** Amend 211X to clarify that Council maintains the discretion provided for under 211K as follows:
 - 1) make clear that assessing a development levy does not remove or constrain the council’s discretion under section 211K as to whether a levy requirement is issued, including for fast-track consent pathways.
 - 2) ensure the provisions dealing with assessment timing, particularly for fast-track consents, do not imply that a levy assessment must occur unless and until the council has decided to exercise its discretion to require a development levy.

b. Missing reference to applicable Policy in 211X(2)

- **Issue:** Section 211X(2) states that a TA must assess, but does not reference the applicable policy as currently done in section 198(2A).
- **Recommendation:**
 - 1) make clear in section 211X(2) that any development levy assessment must be carried out under the development levies policy that is in effect at the time, to ensure consistency with how levies are assessed elsewhere in the framework.
 - 2) ensure section 211X(2) does not imply that a levy can be assessed in the absence of, or without reference to, the relevant operative or proposed development levies policy.

c. Missing reference to Fast Track consents in 211X(3)

- **Issue:** 211X(3) provides for TAs to issue a levy requirement on a resource consent sought under the Fast Track Approvals Act 2024, but this is not referenced as a requirement milestone in section 211K.
- **Recommendation:** Update 211K to include resource consents granted under the Fast Track Approvals Act 2024.

9. Interest, Indexation, and Borrowing Costs: s211A-E, 211W, 211ZZF, Schedule 13B

9.1 Position

9.2 *The DCWG does not support provisions relating to financing, indexation, future cost escalation, and the interpretation of interest and borrowing costs* as currently written.

These provisions require clarification or amendment to avoid systematic under-recovery and unintended ratepayer subsidization.

- 9.3 The Bill should enable territorial authorities to fully and fairly recover the actual costs of providing growth-related infrastructure. These costs should be fairly shared between ratepayers and early and later developers. These provisions require clarification or amendment to avoid systematic under-recovery and unintended ratepayer subsidisation.

9.4 Context

- 9.5 Recovery of growth costs depends on accurate forecasting of capital expenditure, clear and consistent definitions of financial terms, and mechanisms that reflect real-world escalation in construction costs, land values, and financing costs. Sections 211E, 211W, Schedule 13B, the calculation provisions in sections 211U–211ZA, and the interest adjustment provisions in section 211ZZF address these matters but, as drafted, contain ambiguity and limitations that may contribute to under-recovery or inconsistent treatment across councils.

- 9.6 **Recommendations** – see below for individual topic recommendations.

9.7 Submission Points

a. Treatment of future costs in the initial levy calculation

- **Issue (primary under-recovery risk):** A fundamental issue in the current drafting is that the initial calculation of development levies appears to require capital project costs to be expressed in current dollars, without clearly enabling forecast escalation to reflect the year in which infrastructure will actually be delivered. This results in an understated base levy at the point of initial calculation.
- Section 211W primarily addresses indexation of levies after they have been set in a development levies policy. It does not remedy under-recovery that arises from an initially understated project cost used to calculate the levy. Reliance on indexation alone therefore does not address the core problem.
- **Recommendations:**
 - 1) enable development levies to be calculated using the forecast cost of infrastructure at the expected time of delivery, including reasonable and evidence-based allowances for construction and land cost escalation. This should be reflected in the initial levy calculation, supported by levy schedules or automatic increments aligned to delivery timing.
 - 2) regardless, land purchases should be valued based on land zoned at the likely zoning at the planned purchase time, recognising step changes in value associated with rezoning.

b. Capital cost inflation for annual resets between policy reviews

- **Issue:** Section 211W permits PPI-based indexation only on the portion of costs not yet incurred. This approach may materially understate actual future costs, particularly where

land, labour, or materials escalate faster than PPI or in a non-linear manner. This creates a risk of long-term under-recovery that is inconsistent with sections 211A and 211B(b).

- **Recommendation:** Allow councils to apply reasonable, evidence-based capital cost escalation assumptions to relevant future cost components, including land. If a common index is required, provide for the regulator to specify and update the appropriate index over time. If a specific index is referenced, it should be the PPI Construction Output Index, with section 211W amended accordingly.

c. Enable development levies to recover net financing costs

- **Issue:** Current practice under the Local Government Act and development contributions modelling allows councils to recover net financing costs, being interest incurred less interest earned on funds collected in advance. The drafting of section 211E(c) could be interpreted as permitting only gross borrowing costs, which risks distorting levy calculations and cost sharing.
- Interest under section 211ZZF relates to interest charged on unpaid levies and is distinct from financing costs incurred in delivering the capital programme. These mechanisms should not be conflated.
- **Recommendation:** Clarify in section 211E(c)–(d), or in regulations under section 211ZZO(c), that eligible financing costs may include net interest. The basis for any interest or discount rate assumptions should be set out in regulations and subject to regulatory review.

d. Define and distinguish interest, borrowing costs, and indexation

- **Issue:** The Bill refers to interest, borrowing costs, and indexation across multiple sections without clearly distinguishing between them. These terms describe distinct financial mechanisms and their conflation creates ambiguity, dispute risk, and inconsistent application.
- **Recommendation:** Insert definitions in section 211C or in regulations that clearly distinguish:
 - 1) interest charged on unpaid levies;
 - 2) borrowing or financing costs relating to capital expenditure, including net interest; and
 - 3) indexation of levy schedules between policy reviews.
 - 4) expand section 211E to include operational expenditure incurred by a territorial authority towards assets owned by another party which would, if owned by the territorial authority, be capital expenditure.

10. Levy areas: s211H

10.1 Position

- 10.2 *The DCWG supports the policy intent of reducing the number of levy areas* within a territorial authority.

10.3 Context

- 10.4 All TAs except Auckland Council will be required to set one levy area per leviable service unless there is a clear (likely physical) reason for fragmenting into a larger number of levy areas. The Bill encourages as few levy areas as possible. Setting of a single levy area is a key element of the new DL regime as it moves away from the close nexus between a development causing and paying for infrastructure.

- 10.5 For compact, predominantly urban councils such as Hamilton City, a single levy area will often be the most appropriate approach. In these contexts, infrastructure networks are highly interconnected, growth is not confined to discrete catchments, and investment delivers benefits across the citywide system. Broad averaging better reflects this reality and enables councils to plan, sequence, and re-sequence infrastructure investment while ensuring growth pays for growth.

- 10.6 The DCWG recognises that the appropriate structure of levy areas will differ between councils. Larger or more geographically diverse councils may encompass distinct urban, peri-urban, or rural areas, or discrete growth fronts with materially different infrastructure inputs. Accordingly, the DCWG supports a statutory test that allows councils to establish more than one levy area where this is necessary to reflect clear and material differences in growth-related infrastructure costs, while requiring councils to adopt the minimum number of levy areas necessary to give effect to the principles of the legislation.

- 10.7 This shift improves flexibility, reduces under-collection risk, and enables infrastructure to be planned and delivered at a network scale. While broader levy areas can reduce price signalling and introduce some cross-subsidisation, these effects are an acceptable and proportionate trade-off in compact urban environments.

10.8 Submission points

- 10.9 Broad levy areas result in most development paying the same charge regardless of location. In compact urban councils with integrated networks, this appropriately reflects citywide infrastructure provision and supports flexibility under uncertainty.

- 10.10 Where councils face persistent and demonstrable differences in infrastructure input costs, the ability to introduce a small number of additional levy areas based on those inputs provides appropriate price signalling without undermining the levy-based, averaged nature of the system. Each levy area would otherwise operate as set out in the Bill and would not revert to strict micro-catchment cost recovery.

10.11 Recommendations:

- 1) Section 211H would benefit from a clear definition of “urban community” to provide certainty about how levy areas apply to neighbouring suburbs that are highly connected but may rely on separate or partially separate infrastructure services.
- 2) The “good reason” test in section 211H should be refined to place greater emphasis on infrastructure networks and service provision considerations, rather than patterns of community usage or travel behaviour.

11. High cost overlays: s211J

11.1 Position

- 11.2 **DCWG conditionally supports the concept of High Cost Overlays** (HCOs) but suggests revision is required to how levy areas are set (refer to the previous section) before they are implemented.

11.3 Context

- 11.4 HCO's allow a TA to assess areas where the per unit cost of servicing development land is materially higher than the existing levy. In substance, it will function much like a local catchment under the current DC system. The advantage of this approach is that it ensures the entire development community is not burdened with the consequences of development proceeding in locations with high capex requirements.

11.5 Issues

- 11.6 Some areas may be funded through High Cost Overlays. Others may rely on a range of other funding sources. It is not clear how the system will be designed to ensure each development pays a fair share of the levy.
- 11.7 HCOs do not recognise the corollary – development occurring in areas with relatively low growth costs (for example infill where infrastructure has already been funded in the past). This is necessary to encourage efficient land use and intensification.
- 11.8 It is also likely to add significant complexity in the interaction between funding sources. And be administratively complex.

11.9 Recommendations

- 1) 211J(1) – guidance is needed on what a “substantial difference” is.
- 2) Set out in regulation or legislation how the HCO is charged rather than relying on definitions within 211J.
- 3) Where growth is planned, a territorial authority will often be able to make reasonable assumptions about infrastructure costs. However, some developments may require unique or atypical infrastructure for which there is no established guidance or cost benchmark (for example, a new State Highway connection such as SH36 at Tauriko). The wording should be updated to explicitly allow for the use of assumed or indicative costs in these circumstances.
- 4) where setting a price for infrastructure is likely to be time-consuming and costly more flexible language is recommended to allow councils to work collaboratively with developers (at the developer's cost) to undertake an assessment where growth is intended (for example, identified in a Future Development Strategy) but infrastructure is not yet planned, or where growth is unplanned.

12. Limitations on requiring levies: s211N-211P

12.1 Position

- 12.2 ***The DCWG conditionally supports the limitation provisions on requiring levies***, noting that it supports the provisions in sections 211O and 211P. but not the current drafting of section 211N and recommends further refinement to ensure it operates as intended.

12.3 Submission points

- 12.4 Section 211N refers to conditions imposed under sections 77E and 108(2)(a) of the Resource Management Act 1991 but does not make clear that these provisions relate specifically to financial contributions. As currently drafted, section 211N risks being interpreted more broadly, potentially implying that the provision of physical infrastructure as a consent condition would preclude the application of development levies for the same service.
- 12.5 Under the current wording, section 211N could be interpreted to suggest that where a developer is required to construct a local road as a resource consent condition, development levies for transport infrastructure could not also be applied. This would extend the limitation beyond financial contributions and undermine the intended operation of the development levies framework.
- ### 12.6 Recommendation
- 12.7 Amend section 211N to explicitly confirm that references to sections 77E and 108(2)(a) of the RMA apply only to financial contributions, to avoid unintended interpretations that would allow developers to avoid development levies due to physical infrastructure works required as consent conditions.

13. Monetary Contributions: s211E

13.1 Position

- 13.2 ***The DCWG supports the monetary contributions provisions*** that allow the collection of levies for monetary contributions to capital projects (S 211E).

13.3 Context

- 13.4 Councils can play a valuable role in joint ventures that deliver growth-related infrastructure with significant benefits for new communities. However, funding constraints remain a major barrier, particularly where councils are unable to recover costs through development contributions or levies. Enabling the collection of levies on monetary contributions would support delivery of such projects, including contributions to joint ventures on land not owned by councils and to third parties such as NZTA or through private developer agreements.

13.5 Illustrative example

- 13.6 The Peak facility at Rototuna High School was a joint venture between Hamilton City Council and the Ministry of Education associated with growth in a new urban area. The council made a \$10 million growth-related monetary contribution to enable delivery of a four-court indoor sports facility rather than a two-court facility supported by school roll funding alone. Despite the contribution being directly related to growth infrastructure, development contributions could not be collected to offset this cost.



14. Non-standard design reductions: s211ZB

14.1 Position

14.2 *The DCWG does not support levy reductions based on non-standard designs* for the reasons set out below and recommends they be removed from the legislation.

14.3 Context

14.4 The Bill calculates development levies using large, averaged levy areas and broad development types (such as residential and non-residential) that reflect the overall infrastructure capacity required across those areas. Development levies are therefore not tailored to the specific infrastructure demands of individual projects - they represent an average level of demand, which is appropriate in an aggregated levy system.

14.5 At the same time, the Bill requires councils to apply site-specific levy reductions where a development uses a non-standard design that reduces demand. This combines broad averaging with mandatory individual site adjustments, creating internal tension within the levy framework.

14.6 Submission points

a. Conflicts with growth pays for growth intent

- **Issue:** The Bill shifts development levies toward averaged, city-wide cost recovery. Mandatory per-site deductions for “non-standard designs” reintroduce micro-level adjustments that undermine this intent. Councils must design infrastructure networks to peak standards (for example, in 1:100-year storm events, fire flow requirements, and standard road cross-sections). Most on-site design features do not change the scale or specification of those network investments. Proportional levy deductions therefore risk stranding capacity and shifting costs onto other developers or ratepayers, resulting in aggregate under-recovery of growth-related infrastructure costs.
- **Illustrative example:** Council must build a two-lane collector road to service a growth area. A developer constructs a low-intensity warehouse and seeks a non-standard design reduction on the basis of having fewer workers. However, council cannot build a “1.5-lane” road or otherwise downgrade the network to reflect that site’s lower intensity, either individually or cumulatively across several similar developments. The levy reduction does not correspond to any real saving in council capital expenditure and therefore leads to under-recovery of growth costs.

b. Future change in use of the development and stranded capacity

- **Issue:** Non-standard design reductions do not adequately account for change of building use leading to under-recovery of growth costs inconsistent with the intent of the Bill. The developer pays a lower levy activity against a demand profile that only exists for the early period of service consumption, then operates at a higher demand activity on the site for most of its life. Alternatively, low demand features may be replaced over time for alternatives that do not deliver the same demand reductions. The outcome could be that councils have no mechanism to require the additional levy associated with what is ultimately a standard or high demand activity.-demand activity.
- **Illustrative example (1)** Council funds an upsized pump station based on its long term infrastructure strategy. The non-standard design provisions incentivise the developer to adopt dispersed, nonstandard designs, for example onsite systems or alternative



reticulation (e.g. grey water reuse). This allows them to reduce their assessed demand and avoid using the total shared council funded pump station, leaving under collection of levies and no mechanism to recover the stranded capacity that Council has already built into the network. It could also lead to incorrect operational outcomes at scale with longer inefficient pump cycling (pumps replacement earlier wear and tear if not meeting efficiency minimums, longer times between pump cycles (more stagnation and septicity build up, higher treatment requirements and potential wear of down stream infrastructure).

- **Illustrative example (2):** A developer may assert that a warehouse will operate with low intensity to secure a lower levy, but once completed the building may be fitted out with high intensity operations without the need for new consents, preventing the ability to reassess based on the higher demand. Councils therefore cannot collect for the long run demand profile underpinning of the development.

c. Ambiguity of qualifying criteria

- **Issue:** “Non-standard design” is not defined. It is unclear which consented features may qualify, increasing the risk of objections, appeals, and administrative burden.
- **Illustrative example (1):** Recent disputes in the Waipa District over stormwater connection and detention-based credits demonstrate the complexity of claims likely to arise under s211ZB if eligibility is not clearly prescribed. Developers may increase on-site stormwater devices to higher rainfall design standards and challenge the need to contribute to planned council stormwater systems, even though overflow management and network reliance remain necessary. This can result in under-collection of growth funding and ongoing monitoring costs for councils.
- **Illustrative example (2):** A developer constructs an industrial warehouse and claims that only two employees will work on site due to automation. Councils cannot verify this at the time of assessment, raising uncertainty as to whether automation should qualify as a non-standard design reduction, particularly given the risk of later changes in use.

14.7 Recommendations

1. remove non-standard demand reductions, **or**
2. if retained, make them discretionary (e.g. “may”) and only available where a developer can demonstrate measurable savings in planned, network-scale capital expenditure, rather than reductions in on-site consumption. This should be limited to planned capital expenditure, recognising that historical infrastructure is already installed to a higher standard than any site-specific reduction could justify.

15. Reassessment of unpaid development levies: s211ZZG, 211ZZH

15.1 Position

15.2 The DCWG conditionally supports the reassessment provisions for unpaid development levies under sections 211ZZG and 211ZZH, subject to the following comments and the recommendations set out in Section 9 above regarding Interest, Indexation, and Borrowing Costs.

15.3 Context

15.4 The provisions enable territorial authorities to reassess unpaid development levies three

years after the initial assessment. This better aligns levy charges with actual infrastructure costs at the time development proceeds and improves on the current legislation, which allows developers to lock in lower rates for consents that may extend over several years.

- 15.5 The reassessment mechanism is intended to reduce under-recovery where there is a material delay between consent and development. Some councils consider that further reductions in under-recovery could be achieved by shortening the reassessment period to one or two years, particularly for large or staged developments. Other councils consider the proposed three-year period strikes an appropriate balance between providing certainty to developers and protecting councils from revenue erosion.
- 15.6 **Submission points:**
- 15.7 The DCWG generally supports the proposed 30-day grace period for payment, noting that it is short relative to typical land-banking timeframes and may incentivise earlier payment of development levies. Some councils have indicated that the effectiveness of this provision will depend on how it interacts with reassessment timing and interest settings.
- 15.8 Careful consideration is required in relation to how interest is applied to reassessed development levies, including the frequency of application or compounding. Interest settings must be administratively workable, transparent, and robust, and should avoid creating scope for disputes or claims of mischarging that could complicate implementation of the development levy framework. This issue interacts with the broader treatment of interest and financing costs discussed elsewhere in this submission.
- 15.9 Reassessment provisions, particularly when combined with the application of interest on unpaid levies, provide greater certainty of revenue recovery than the current development contributions regime. In the DCWG's view, this increased certainty has the potential to support consideration of more flexible debt-to-revenue ratios for councils, subject to appropriate balance being maintained and consistency with existing LGFA covenant settings.
- 15.10 Note, the technical definition and treatment of interest is addressed separately in Section 8 above of this submission.

16. Reconsideration and objections: s211ZI – 211ZQ & Schedule 13

16.1 Position

- 16.2 ***DCWG requires further information to be provided to appropriately comment*** and submit on these sections of the bill.

16.3 Submission points

a. Existing LGA Sections 199A-B Reconsideration are sufficient

- Existing LGA Section 199A is sufficient, however, recommend including in procedure for reconsideration section that requests sections of the Policy listed where TA has applied the Policy wrong. Currently, reconsideration tends to be utilised as “it is too much and I do not want to pay”, so ensuring applicant actually provides the information to prove which clauses in Policy TA applied incorrectly would be helpful.

b. Some of Existing LGA Sections 199 C-D Objection can be applicable

- Existing LGA Sections 199 C-D are sufficient to start the conservations, however, there remains uncertainty as to whether Regulator should be involved with the objections that might occur on the matters prescribed in regulations.

- If the TA complies with the regulations and Regulator has deemed this to be true as per the parameters set, then the matter should not be able to proceed into further hearing proceedings. For example, Section 211ZL Scope of Objection – shall include that regulated sections of the Policy that has been verified by the Regulator cannot be objected to.

c. Appointment and removal of Commissioner

- Considering Regulator will be in place, list of commissioners available for appointment shall be held via the Regulator.

d. 211ZQ – Hearings

- As hearings are costly in time and resources for all parties involved, there should be some thinking around whether hearings shall be undertaken every time objection is lodged. There could be some discretion given to commissioner that if sufficient brief of evidence is presented to commissioner where this allows him to make a call on objection, hearing will not proceed.

17. Regulations: setting units of demand (UoD): s211ZZO(b), 211ZZO

17.1 Position

- 17.2** *The DCWG conditionally supports establishing standard units of demand* for key development types to promote greater consistency in how development levies are applied across councils. However, the current drafting is problematic and we recommend amendments as below.

17.3 Context

- 17.4** The Levy framework introduces a nationally consistent approach for recovering growth related infrastructure costs, intended to simplify administration, reduce disputes, and ensure growth pays its fair share through a predictable and transparent system.
- 17.5** For the regime to function as intended, demand settings must be clear, practical, and aligned with the way development occurs under modern planning rules. If the framework becomes too granular, ambiguous, or difficult to enforce, councils risk reinstating the very complexity, inequity, and gaming behaviour the reforms seek to remove.

- 17.6 Recommendations** – see below for individual topic recommendations.

17.7 Submission points

a. Inconsistent with the regime broader intent

- **Issue:** The levy system is designed around broad levy areas, averaging of costs, flexibility, and reduced complexity. Overly detailed UoD classifications undermine this intent and recreate the micro assessment issues experienced under the previous DC regime.

Excessive granularity may lead to gaming, developer challenges, uncertainty, and administrative burden.
- **Illustrative example:** Whether a development is most appropriately defined as entertainment, recreation, community, or education is unclear in many cases, and where they can, developers may try to present their development as the category with the cheapest levy – which occurs now under DCs with many fewer categories – five in the case of Hamilton.



- **Recommendation:** adopt a simplified structure of four to five broad development categories, such as Residential (with size or GFA modifiers), Commercial, Industrial, Retail, and potential a special category for, for example, retirement homes or wet industries. Council officers with their expertise should be afforded the freedom to make determination of development types to a limited extent such as four to five categories.

b. Residential units of demand – bedrooms or GFA

- **Context:** The development levy system is intended to simplify charging, reduce disputes, and move away from the highly granular assessments that characterised the development contributions regime. Residential demand metrics must therefore strike a balance between reflecting actual demand, administrative efficiency, and consistency, while remaining workable across diverse council contexts and development typologies.
- Notwithstanding the challenges outlined below, some councils, including Hamilton City Council and Tauranga City Council, have applied bedroom-based approaches effectively. This demonstrates that bedroom metrics can work well in certain local contexts and housing typologies.
- **Issues:** The consultation document proposes a bedroom-based approach to determining residential units of demand. While this can better reflect occupancy-related demand in some circumstances, it introduces several practical and systemic risks:
 - a) Bedroom-based charging can give rise to definitional disputes (e.g. studies or flexible spaces), increase administrative burden, and encourage optimisation behaviour that the levy system is intended to avoid.
 - b) A bedroom-based approach is more granular than the levy framework's intent to average costs across broad levy areas and can sit uneasily with a single, early assessment trigger where bedroom numbers are not yet finalised.
 - c) Bedroom-based metrics should therefore be treated as an optional tool rather than a universal solution, appropriate where they demonstrably align with demand and administrative efficiency, but not mandated across all councils or development types.
- **Recommendation:**
 1. that regulations enable discretion for territorial authorities to adopt either a bedroom-based approach, or a Gross Floor Area (GFA)-based approach (using prescribed ranges), when setting residential units of demand.
 2. If a bedroom-based approach is used, include a nationally prescribed definition of "bedroom" in regulations, with the explicit intent of minimising interpretation disputes and administrative inefficiency.
 3. avoid regulatory settings that necessitate routine secondary or "wash-up" levy assessments, recognising that units of demand should, as far as practicable, be determinable at the primary levy trigger point.

c. Future change in use of the development

- **Issue:** Demand system does not adequately account for change of building use leading to under-recovery of growth costs inconsistent with the intent of the Bill. The outcome could be that councils have no mechanism to require the additional levy associated with the higher demand activity. The developer pays a lower levy activity against a demand profile

that only exists for the early period of service consumption, then operates at a higher demand activity on the site for most of its life.

- **Illustrative example 1:** A developer may assert that a warehouse will operate with low intensity to secure a lower levy, but once completed the building may be fitted out with high intensity operations without the need for new consents, preventing the ability to reassess based on the higher demand. Councils therefore cannot collect for the long run demand profile underpinning of the development.
- **Illustrative example 2:** A developer obtains resource consent for student accommodation which under regulations attracts a lower development levy than visitor accommodation. Levies are paid accordingly, and Code Compliance is issued. The activity on site is changed to visitor accommodation, but this change does not trigger a requirement for a new resource consent.
- **Recommendation:** Fewer broader demand categories be used to enable 'overs and unders' to average, such that recovery of the true costs of growth over time is more likely. This is prevented with many narrow categories.

d. Consistency with new planning framework

- **Issue:** Classifications may conflict with the new planning system, creating inconsistencies and additional complexity for developers.
- **Recommendation:** UoD classifications be aligned with the activity and zoning groupings used in the reformed planning system rather than bespoke levy specific categories (to the extent possible, noting that the planning regime is itself under development).

e. National standardisation of demand assumptions

- **Issue:** The proposal to prescribe nationally standardised demand assumptions for calculating units of demand supports the objective of a consistent levy framework. However, fully uniform assumptions risk failing to reflect the material differences in infrastructure demand that exist between territorial authorities, driven by local design standards, pricing regimes, settlement patterns, and travel behaviour.
- **Illustrative example:** Household water demand varies significantly between councils due to differences in water pricing and metering. Areas with universal metering and higher prices typically experience lower per-household consumption than areas where water is unmetered or inexpensive. A single national water demand assumption per HUE could therefore overstate demand in some locations and understate it in others. Similar issues arise for transport, where household trip generation differs markedly between metropolitan areas with higher public transport use and congestion constraints, and provincial urban areas where private vehicle travel dominates.
- **Recommendation:** Support national standardisation by establishing baseline demand assumptions nationally, while providing a clear, transparent application process for territorial authorities to seek an exemption or adjustment in exceptional cases, where they can demonstrate materially different demand outcomes based on local standards and observed data. The development of these regulations should occur in close consultation with councils to ensure the framework is workable, evidence-based, and reflects real infrastructure demand conditions.



18. Setting an administration charge: s211ZZI; 211ZZO(d)

18.1 Position

18.2 **DCWG supports introducing a regulated administrative charge** for assessing development levies and offers the following recommendations and clarifications.

18.3 Submission points

a. Calculation method

- **Comment:** A flat fee promotes simplicity but does not take into consideration the complexity or time taken for complex assessments. A scaled charge increases fairness but adds administrative complexity to determine a charge for each assessment.
- **Illustrative example:** At Hamilton City Council, the time to complete an assessment varies widely. Most residential consents under 10 dwellings and simple non-residential work, such as small extensions or activity change fitouts, are processed within an hour. More complex assessments, including multiuse resource consents or large building consents, may require 3 hours +, especially when designs are unique or plans are revised.
- **Recommendation:** Adopt a fixed base administration charge using a reasonable estimate of staff time for a standard assessment (we suggest one hour) but include the option to scale charges for more complex or high-value projects. The methodology for scaling charges should be set out in the regulations

b. Timing

- **Comment:** Clarification is required within the legislation on the point at which the administrative charge is payable, e.g. at consent lodgement, when the requirement of a development levy has been sent, or alongside the development levy payment. Consistency across councils will improve customer experience.
- **Recommendation:** Charge the administrative charge at the granting of consent when the assessment has been completed.

19. Transition from DCs to DLs (phasing): Schedule 1AA

19.1 Position

19.2 **The DCWG conditionally supports a managed transition from development contributions** to development levies aligned with long-term plan cycles, but notes that views on transition settings, including phased price implementation, are not uniform across councils.

19.3 However, Auckland Council's submission indicates that no provision should be made for phased price transition. While its submission supports the overall timing for the introduction of development levies, it does not support the proposed phase-in of prices. Refer to the Auckland Council submission for its formal position.

19.4 **Recommendations** – see below for individual topic recommendations.

19.5 Submission Points

a. Ratepayer burden and delivery program

- **Issue:** A phased introduction of development levies reduces council revenue during the transition period compared to an immediate shift to full pricing. Unless this shortfall can be offset, it risks shifting growth-related costs onto ratepayers, deferring cost recovery to future developers, or constraining councils' ability to deliver planned infrastructure

programmes. This creates tension with the core reform principle that growth should pay for growth.

- **Illustrative example:** Auckland Council has raised strong concerns about mandatory phasing. Auckland considers that a gradual phase-in would result in a multi-year period in which developers do not meet the full cost of growth. Auckland Council estimates that phasing its Development Contributions Policy 2025 over three years would reduce revenue by approximately \$100 million, materially impacting its ability to deliver infrastructure and placing additional pressure on ratepayers. These risks are further amplified by broader fiscal constraints facing councils, including prospective rates capping and limited ability to smooth revenue shortfalls through general or targeted rates.
- **Recommendation:** Transitional settings should explicitly recognise the revenue and delivery risks identified by Auckland Council and others. To address this, the phase-in mechanism should be flexible rather than mandatory, allowing councils to apply stepped pricing only where there is a material increase in charges and a demonstrated transition or viability need.

b. Administrative complexity and implementation burden

- **Issue:** Managing three sets of charges across three years does introduce some complexity and costs for Councils, including annual updates to software and calculation tools, and communications.
- **Recommendation:** Where phased pricing is applied, national guidance and communication will be essential to support transparency and reduce confusion for applicants. Councils will also need to allow for additional resourcing during the transition period to manage the associated administrative complexity and costs.

c. Misalignment with LTP / infrastructure strategy

- **Issue:** The proposed timing requires councils to adopt a new development levies policy (including schedules, methodology, and alignment to financial and infrastructure strategies) while many councils will simultaneously be developing their 2027–2037 LTPs and associated infrastructure programmes. This creates a material resourcing and sequencing risk, and may lead to conservative levy settings or deferred implementation decisions that undermine the intent of a predictable, nationally consistent regime.
- **Recommendation:** Confirm transitional settings that allow councils discretion to sequence policy adoption and pricing implementation in a way that maintains LTP integrity (including the ability to align levy policy consultation with LTP consultation where practicable), without creating compliance uncertainty.

d. Incentivising pre-transition behaviour in greenfield areas

- **Issue:** A stepped transition creates incentives for developers to accelerate lodgement, stage approvals, or re-lodge consent pathways to remain within lower DC settings (or lower transition-year levy settings), particularly for large greenfield developments that can be staged over multiple years. This behaviour risks exacerbating under-recovery and undermining fairness between early and later developers.
- **Recommendation:** Clarify transitional provisions to minimise arbitrage opportunities (including clear rules for how existing approvals, staged consents, and re-lodgements interact with the effective date of levy policies and any phase-in).



20. Other matters

Effective date for development levy policies: s211Y, 211Z

- 20.1 *The DCWG supports the intent of the proposed effective date provisions* to make development levy policies effective from the date they are notified for consultation, rather than from formal adoption. This support is subject to the recommendation below to resolve ambiguity between the terms “publicly available” and “notified for consultation.”
- 20.2 Section 211Y(2)(a) provides that levy policies become effective when they are “publicly available,” while the DIA Consultation Document refers to the date the policy is “notified for consultation.” In practice, these two points in time can differ by several weeks, creating uncertainty and scope for inconsistent interpretation. This ambiguity may also continue to incentivise developers to lodge applications early in order to avoid higher levies.
- 20.3 **Recommendation:** Amend section 211Y(2)(a) to clearly define “publicly available” as the point at which a draft levy policy is formally released through the council reporting process that initiates public consultation. This would provide clarity, consistency, and alignment with the policy intent.

Lack of power to withhold PIM for unpaid DL: s208 of LGA

- 20.4 *The DCWG supports the requirement to pay development levies on a Project Information Memorandum (PIM)* for a non-consented standalone dwelling within s211K.
- 20.5 Section 208 of the LGA does not currently provide authority to withhold a PIM for non-payment of development levies.
- 20.6 **Recommendation:** Amend Section 208 of the LGA to include the power to withhold a PIM for non-payment of development levies.

End