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SUBMISSION TO THE DEPARTMENT OF INTERNAL AFFAIRS ON THE PARTIAL EXPOSURE DRAFT OF THE LOCAL GOVERNMENT (INFRASTRUCTURE FUNDING) AMENDMENT BILL

Queenstown Lakes District Council (QLDC) welcomes the opportunity to make a submission on the partial exposure draft of the Local Government (Infrastructure Funding) Amendment Bill (the Bill) to implement the proposed development levies (DL) system.

QLDC is largely supportive of the reform and considers the proposed development levies system to be a significant and necessary step forward in improving the funding and financing of growth-related infrastructure. QLDC particularly supports the shift toward larger levy areas with aggregated costs as it will better reflect and account for the increasingly dynamic development patterns. This would be additionally supported by proposed changes to enable councils to regularly review and recalculate DLs. For a high-growth district such as Queenstown Lakes, a flexible levy-based system has the potential to provide greater financial stability, agility and better recovery for growth-related infrastructure costs.

However, the effectiveness of the proposed system depends heavily on the prescribed methodology. QLDC strongly recommends that DIA undertake robust engagement with councils to ensure that the methodology can achieve the intended outcomes and be efficiently implemented for different local contexts, without increasing administrative burden or opportunity for further contest or litigation.

QLDC also notes interaction between the proposed DL system and the proposed amendments to the Infrastructure Funding and Financing Act (IFFA). If not robustly considered, changes to the IFFA could undermine the effectiveness of the DL system and could materially constrain councils' ability to fund growth-enabling infrastructure. QLDC has made a submission on the proposed changes to the IFFA, alongside other government reform proposals, including the proposed Rates Target Model and noted the significant interrelated nature of the reforms.

This submission outlines key points that are supported by QLDC and key points that QLDC would recommend for further consideration.

It should be noted that due to the timeline of the process, this submission will be ratified by full council retrospectively at the next council meeting.

Thank you again for the opportunity to comment.

Yours sincerely,



John Glover
Mayor



Michelle Morss
Acting Chief Executive

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1.0 Context of the exposure draft of the Local Government (Infrastructure Funding) Amendment Bill in relation to QLDC

- 1.1 The district is one of Aotearoa, New Zealand's premier visitor destinations, drawing people from all over the world to enjoy its spectacular wilderness experiences, world renowned environments and alpine adventure opportunities.
- 1.2 The Queenstown Lakes District (QLD) has an average daily population of 81,660 (visitors and residents) and a peak daily population of 122,490. By 2055, this is forecast to increase to 147,518 and 221,276 respectively¹. The dwelling stock is forecast to expand substantially, increasing to nearly 50,000 homes by 2055. This equates to a net addition of around 23,500 dwellings². Council's Housing Capacity Assessment³ identifies that the district has plan enabled dwelling capacity to accommodate housing growth, with 50,853 enabled in the short term, 77,750 enabled in the medium term and 92,900 enabled in the long term. These significant growth conditions generate housing affordability, resilience challenges and issues infesting in infrastructure to keeping pace with growth in the district. Over the Long-Term Plan period 2024-2034, QLDC has forecasted that growth related capital spending would make up 40% of total capital cost (\$979M)⁴.
- 1.3 The Otago Central Lakes Regional Deal proposal sets out a joint, long-term strategy by QLDC, CODC, and ORC to build on the region's strong economic, tourism, and population growth. A primary objective is to reinvest the value generated by growth directly into critical infrastructure, housing, and transport networks to support growth.

2.0 The development levy system proposal is a significant and necessary step forward in improving the funding and financing of growth-related infrastructure

- 2.1 QLDC supports the direction of reforms and notes that if done well, could enable a stronger, more responsive funding system which is in the Queenstown Lakes District (QLD) where significant local growth and the tourism economy is increasing pressures on the system.
- 2.2 The development contributions model is most effective when growth is predictable, when council can reliably forecast where and when development will occur, and can stage investment in interconnected networks. In QLD, growth is highly speculative and dispersed across multiple settlements, where infrastructure networks cannot be practically interconnected. Therefore, councils must invest in multiple sets networks simultaneously which increases upfront capital costs, debt pressures, and constrains councils' ability to invest in infrastructure.
- 2.3 The proposed development levies system is likely to better enable councils to recover growth-related costs in an environment where the rate of development is faster and there is greater uncertainty in development timing and sequencing. Aggregate costs and larger levy areas could enable infrastructure costs to be paid down more quickly and as determined regardless of speed of development and recovery for a particular project and allow for cross subsidisation. While high-cost overlays would enable councils to account for infrastructure costs in difficult areas (geotechnical, altitude, pumped wastewater zones) to be captured accurately. Additionally, mechanisms for councils to review and recalculate DLs each three years which could improve speed and accuracy cost recovery.

¹ <https://www.qldc.govt.nz/community/population-and-demand>

² <https://www.qldc.govt.nz/media/4x3b0dng/qldc-demand-projections-methodology-may-2025.pdf>

³ <https://www.qldc.govt.nz/2025/october/25-10-10-assessment-of-housing-and-business-capacity-in-queenstown-lakes-district-adopted/>

⁴ <https://www.qldc.govt.nz/your-council/council-documents/long-term-plan-ltp/>

2.4 Although, the effectiveness of the proposed system relies on robust methodology which can be efficiently and effectively implemented. As outlined later in this submission, **QLDC strongly recommends that robust engagement is undertaken with councils to develop levy methodology.**

3.0 Levy layers and additional growth-related infrastructure should be in the development levy system

3.1 Whilst QLDC supports the move to aggregate growth costs across larger levy areas, the proposed development levy system does not to address land-banking, where developers delay building on infrastructure enabled land. The new levy framework focuses on the long-term recovery of growth costs rather than ensuring timely development. QLDC recommends that measures are included to incentivise development and housing delivery once services are delivered.

3.2 High-cost overlays would enable councils to account for infrastructure costs in difficult areas (geotechnical, altitude, pumped wastewater zones) to be captured accurately. They would be important and common in locations with challenging topography or network constraints. QLDC recommends that greater clarity is provided to ensure they are applied fairly and consistently. In particular, councils require guidance on what qualifies as a “substantial” cost difference, as this determines when an overlay is justified and how it affects the base levy. The methodology needs to enable councils to accurately reflect genuine cost variations while ensuring that overlays remain proportionate, transparent, and aligned with broader system objectives.

3.3 QLDC recommends that the system includes solid waste infrastructure (e.g., landfills, transfer stations, organics facilities) as eligible for levy recovery. This is critical for growth districts and if not recovered costs will fall to ratepayers rather than growth paying for growth.

3.4 The proposed system still excludes Crown-led infrastructure projects (such as new schools, hospitals, or other facilities) from being assessable. These developments can generate equivalent growth demands to a large subdivision, therefore should be treated accordingly. If not captured, other developers or the ratepayers must absorb the resulting growth-infrastructure costs. QLDC recommends that development levies are assessable on Crown developments.

3.5 Proposed changes appear to narrow the permitted use of development levy for reserves. The implication of this is the potential exclusion of a range of important spaces and functions that councils routinely rely on, such as local purpose reserves, esplanade reserves, historic and cultural reserves, cemetery, and stormwater or other utility reserves. This exclusion could undermine councils’ ability to deliver integrated land-use, open-space, cultural, environmental, and accessibility outcomes. QLDC recommends the bill is amended (clauses 211Q–211S and associated definitions) to be more clearly aligned with the full scope and intent of the Reserves Act 1977 and ensure that all relevant reserve types and community infrastructure functions remain eligible and adequately supported.

3.6 QLDC is concerned that the proposed development levy system for reserves removes the current ability for councils to require or accept land in lieu of a cash contribution for reserve purposes, which is a critical tool for high-growth districts like QLD. Under the existing Local Government Act provisions, territorial authorities may purchase reserve land using reserves-related development contributions, including through land dedication mechanisms, however, the proposed development levy system establishes a standardised, monetary-focused levy model. Removing land-in-lieu options could significantly constrain QLDC’s ability to secure well-located, fit-for-purpose open space at the point of subdivision and will require changes to LTP funding approach.

Recommendations:

- R.1.** Stronger measures are included in the new system to incentivise development once infrastructure is delivered.
- R.2.** Clear guidance is provided on high-cost overlays to ensure they can be applied fairly and consistently, including for example clarity on what constitutes a “substantial” cost difference so that genuine cost variations are reflected while overlays remain proportionate and transparent.
- R.3.** Include growth-related waste infrastructure as eligible for levy recovery, subject to clear beneficiary tests and transparency requirements.
- R.4.** Development levies are made assessable on Crown developments, by adding a clause to the draft Bill to insert a new section 8(2)(ba) into the Local Government Act 2002, extending subparts 5 and 5A of Part 8.
- R.5.** Provisions are more clearly aligned with the full scope and intent of the Reserves Act to ensure that all relevant reserve types and community infrastructure functions remain eligible and adequately supported. Additionally, that Councils can still collect DLs for Local Purpose Reserves that which are used for community facilities and cemetery reserves.
- R.6.** Maintain the current ability for councils to require or accept land in lieu of a cash contribution for reserve purposes, which is a critical tool for high growth districts like QLD.

4.0 First mover reimbursement must be careful not to undermine the effectiveness of the system, especially in high growth and high-cost district such as Queenstown Lakes

- 4.1 First-mover developments commonly arise where early developers deliver essential infrastructure ahead of others unlocking new urban growth, effectively enabling subsequent stages of growth. Typical examples include developers who construct the initial sections of collector roads or trunk infrastructure that provide the capacity for an entire development area. In greenfield locations, first movers often undertake substantial upfront works, such as earthworks, bridging, or initial network extensions, that unlock land for staged development by later entrants.
- 4.2 In high-cost districts such as Queenstown-Lakes, there is a material risk that DL income may become overly committed to repaying first-mover developers. If too large of a proportion of DL revenue is diverted into reimbursements, councils will have fewer funds available to support subsequent stages of planned infrastructure or to retire existing growth-related debt, weakening the principle that growth should pay for growth. This is of particular concern for Fast Track developers which may or may not be anticipated within long term strategic plans. If reimbursement obligations fall outside the scope of a council’s Long-Term Plan (LTP), they could create financial pressure and unpredictability, potentially compromising infrastructure delivery.
- 4.3 Maintaining a balanced approach is essential. Councils must be able to recognise first-mover costs, however, also ensure that the levy pool remains available to support ongoing growth. Clear statutory rules on eligibility for first mover reimbursements are required and guidance provided on how DL revenue should be balanced, prioritised and phased is needed to ensure the intended outcomes of the DL system. Rules should provide guidance on timeframes for reimbursement, these need to allow councils to reimburse over defined lifecycle, opposed to upfront.

Recommendations:

- R.7.** Clear statutory rules for first mover reimbursements including on eligibility, requirements for transparent accounting of benefits, and consistent thresholds are needed as well as guidance on how DL revenue should be balanced, prioritised and phased to ensure the intended outcomes of the DL system.
- R.8.** Reimbursement timeframes should be over a defined life cycle and ensure councils retain flexibility for how to reimburse (through future levy revenue or other agreed mechanisms, such as development levy credits which works effectively for QLDC through developer agreements).

5.0 DLs must be considered alongside other funding and financing changes, including amendment to the IFFA

5.1 QLDC is concerned that external funding and the proposed changes in the Infrastructure Funding and Financing Bill could reduce DLs for broader levy areas without reducing network costs. An example is where a DL levy zone has been developed and adopted, and then a large portion of the area is carved out for an IFF/Special Purpose Vehicle (SPV). If the SPV area in question is high growth, this could mean that DLs increase for the remaining areas. This could risk undermining the benefits of having large levy areas and the effectiveness of the system as it could constrain councils' ability of to fund growth infrastructure.

Recommendations:

R.9. Clear guidance and rules are needed that set out the priority order when multiple funding tools apply (including IFFA levy mechanism).

6.0 The transition to development levies must align with council planning and review cycles

6.1 QLDC notes that the proposed transition period has the potential to result in additional complexity and administration for councils. It is currently proposed that development contributions policies can remain in place for one year, before councils can begin transitioning to DL policies for the remaining two years of the LTP review cycle. Given that the regulations will not be confirmed until 2027, councils would need to develop and consult on a DL policy mid-LTP period. Therefore, QLDC notes that it may be more practicable and efficient for councils to not transition to charging DLs until July 2030 to avoid additional complexity and mid-cycle administration.

Recommendations:

R.10. The proposed transition allows councils to align the development of a DL policy with the LTP review cycle if determined most efficient. QLDC supports the proposal that councils may begin to charge DL from July 2028, although are not required to until July 2030.

7.0 Commerce commission oversight of development levies alongside existing responsibilities and economic regulator for water services requires clarification

7.1 While the introduction of independent oversight and regulator of development levies could support fairness and consistency, the proposal creates uncertainty as the Commerce Commission has been appointed as the economic regulator for water services. It is unclear how the Commission's proposed role for development levies would sit alongside its existing responsibilities (e.g., price-quality regulation and information disclosure for water services). Without clear boundaries, councils and developers could face duplicated reporting, overlapping compliance obligations, and conflicting regulatory expectations. QLDC recommends that greater clarity is provided on how the Commission would regulate and how levy reporting will integrate with water entity disclosures to avoid duplication.

Recommendations:

R.11. Clarity is required on how the Commerce Commission would regulate the DL system, whether it would act as the determinations body, and how DL reporting will integrate with water entity disclosures to avoid duplication. It is recommended that a single disclosure template and appeals pathway is provided that recognises both development levies and water economic regulation.

8.0 Engagement required to ensure that regulations can be effectively implemented, including for high growth and high visitor districts such as QLD

- 8.1 As aforementioned, the effectiveness of the system relies on robust methodology. Engagement with councils is critical to ensure that the levy methodology ensures that the new system can achieve the intended outcomes and be effectively implemented for each local context. Council can each support the methodology by applying its existing approach, local expertise, and operational experience.
- 8.2 QLDC notes that standardisation of aspects of the development contributions system regulations has the potential to improve the consistency, transparency and efficiency of the DL system. Additional aspects that could be considered include standard approaches for how to deal with residual capacity of infrastructure projects when assessing capacity to serve new developments, how to allocate costs to the renewal components (replacing an old asset) or costs for developments which may have mixed uses (i.e., residential and commercial).
- 8.3 While standardisation offers benefits, the key drivers of growth in the Queenstown Lakes District, particularly the visitor economy and unique geographic constraints, mean that flexibility is essential. For the system to be effective, it must remain adaptable and allow councils to tailor levy settings to reflect local differences and ensure accurate cost recovery. This includes accounting for variability in climatic conditions, alpine geography, and the dispersed nature of multiple settlements rather than a single, homogenous network serviced by centralised infrastructure. While standardisation has benefits, applying uniform settings risks under-recovery, creating underperforming assets and higher long-term costs. Examples of requirements for local flexibility:
- **Allocation of costs to renewal.** Councils should be able to rely on local evidence where standard renewal thresholds do not reflect geographic realities, density-driven costs, or unique infrastructure pressures to ensure accurate representation of asset life, condition, or capacity and cost recovery.
 - **Setting units of demand.** There is a risk that in tourism-heavy areas, such as the QLD, standard units of demand may underprice or over price actual demand. This could undermine fair cost allocation. Regulations should allow councils to adjust units of demand where evidence exists that local patterns differ from national assumptions.
 - **Setting units of demand based on development type.** Tourism-based districts require greater flexibility in setting units of demand. Additional indicators such as peak wastewater loads, occupancy nights, and residential visitor accommodation should be available to reflect the distinct infrastructure demands created by visitor-driven growth.
- 8.4 Councils can provide further advice on methodology, for example setting units of demand for development in its local context. Bedrooms and gross floor area are reasonable and commonly used indicators for setting units of demand. However, both approaches have vulnerabilities to strategic interpretation. Neither method is singularly robust as they do not capture other key variables such as the number of adults in a household, vehicle ownership, visitor frequency, or intensification of use. The bedroom approach may be effective at building consent stage, but for greenfield subdivisions creating development lots (most common in QLD), this information is unavailable until the final purchaser designs and builds. QLDC advises that any methods that rely on the final built form to determine the levy create additional complexity and it is more efficient to resolve with developers upfront rather than shifting onto individual householder later in the process.

Recommendations:

R.12. Engage with councils to ensure that the levy methodology and regulations ensure the new system can achieve the intended outcomes and be effectively implemented for each local context.

9.0 Other matters – public disclosure, administration and intangible assets

- 9.1 Annual public reporting should be required to support transparency and accountability of the DL system. This should include detailed DL levy area descriptions, annual progress reporting on infrastructure delivery, expenditure to date, forecasted changes, and explanations for any material variances. QLDC considers that public-facing dashboards could be an effective mechanism to present this information. QLDC recommends guidance, standardised models or templates, and technical support to assist councils in developing and maintaining consistent reporting.
- 9.2 QLDC recommends that the most appropriate approach for setting the administration fee is a sliding scale, with caps that can balance recovery and proportionality, reflecting the different levels of complexity in assessments. The benefit of a sliding scale approach is key for reassessments and bespoke reviews and also ensures it does not create barriers for small-scale residential intensification. It is important that administration fees remain simple to implement and be associated with an enforceable trigger such as RMA 224(c) certification, Code Compliance Certificate (CCC) issuance.
- 9.3 QLDC currently includes network and planning models as intangible assets that can be levied for. It is recommended that councils can continue to recover for these growth-related planning tools where there is a clear link to planning or delivering growth infrastructure.

Recommendations:

- R.13.** Annual public reporting is recommended in order to support transparency and accountability of the DL system. It should include clear DL area summaries, project lists, expenditure to date, forecast changes, and explanations for any material variances. Guidance, standardised models or templates, and technical support is provided to assist councils in developing and maintaining consistent reporting.
- R.14.** The administration fee is a sliding scale and be associated with an enforceable trigger such as RMA 224(c) certification, Code Compliance Certificate (CCC) issuance.
- R.15.** Include corporate growth-related models and planning tools as intangible assets that can be levied for.