Attachment N: Development Levies consultation document

Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development

Internal Affairs
Te Tari Taiwhenua

Going for Housing Growth

Supporting Growth Through a Development Levies System

Consultation Document

26 November 2025

Te Kāwanatanga o Aotearoa
New Zealand Government

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Any questions should be directed to development.levies@dia.govt.nz.

Foreword

We are pleased to present this consultation document and the exposure draft of the Local Government (Infrastructure Funding) Amendment Bill for you to provide us with your feedback and insights.

Housing in New Zealand is too expensive because we have made it hard for our cities to grow. Fixing this problem is one of the most important steps toward fixing our housing crisis, which will improve our economy, increase productivity, improve intergenerational equity, and decrease material hardship.

The Government's Going for Housing Growth programme is focused on fixing the fundamentals of our housing crisis: land supply, infrastructure, and incentives for growth.

Earlier this year, the Government sought public feedback on initiatives to free up land for development and remove unnecessary planning barriers (Pillar 1 of Going for Housing Growth). We are considering this feedback in the design of the new resource management system and will introduce legislation shortly to replace the Resource Management Act.

Zoning land for development is only part of the solution – we also need better tools to fund the infrastructure that makes new housing possible. Our infrastructure funding system for housing is inadequate, with councils unable to effectively recover the costs of infrastructure that supports urban growth. The current approach leads either to ratepayers unfairly having to pick up the tab, or it stops more houses being built.

That's why in February 2025, we announced a range of changes to create a flexible funding and financing system to match a new, flexible, planning system (Pillar 2 of Going for Housing Growth).

Shifting to a development levies system is central to these improvements. We're proposing a once in a generation change to how we fund infrastructure and enable housing growth, so your feedback is essential for us to get this right and ensure our proposed legislation is fit for purpose.

Please use this consultation document to share your insights and feedback, which we look forward to considering.

Hon Chris Bishop
Minister of Housing

Hon Simon Watts
Minister of Local Government

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Request for submissions

Submissions

Te Tūāpapa Kura Kāinga and the Department of Internal Affairs seek written submissions on the proposals raised in this document by **20 February 2026**. You can download a submissions form at our website www.dia.govt.nz/development-levies-consultation.

We have included proposals and questions throughout the document. You may comment on any or all of the proposals. We also welcome any other relevant information, comments, evidence and examples. Please include your name, or the name of your organisation, and contact details, and email your submission to development.levies@dia.govt.nz.

Use of information

Your submission will help the Government to develop the new system for funding development infrastructure and may inform other policy development where relevant. We may contact submitters directly if we require clarification of any matters in submissions.

There will be no hearings in relation to this consultation on the exposure draft Bill, hearings will be part of the Select Committee process in 2026.

Release of information

We may publish a summary of the feedback we receive on this paper. This could include a summary of submitters' views and may include the names of individuals or organisations that have made submissions. The Privacy Act 2020 establishes certain principles with respect to the collection, use and disclosure of information about individuals by various agencies, Te Tūāpapa Kura Kāinga and the Department of Internal Affairs. Any personal information you supply to us in the course of making a submission will only be used for the purpose of assisting in the development of policy advice in relation to the issues canvassed in this consultation document. Please clearly state in the online submission form and any email or covering letter if you do not wish your name, or any other personal information, included in the summary of submissions.

Submissions may be requested under the Official Information Act 1982. Please set out clearly in the submissions template or in your covering letter or email if you have any objection to the release of the information contained in your submission and in particular, which parts you consider should be withheld, together with the reasons for withholding the information. We will take such objections into account and will consult with submitters when responding to requests under the Official Information Act.

Further information

If you have any questions or would like more information about the process for making submissions, please email development.levies@dia.govt.nz

Glossary

Definitions of terms are provided in the Interpretation section in clause 12 of the Bill, new s 211C and new s 211D (and other relevant sections) of the exposure draft of the Local Government (Infrastructure Funding) Amendment Bill (the Bill). Some of the terms used frequently in this consultation document are explained below.

Glossary term	Meaning
Causal nexus	Link between a development or groups of developments and particular new infrastructure assets (or assets of increased capacity)
Council	In this consultation document, the term “council” refers to territorial authorities. The exposure draft of the Bill uses the term “territorial authorities” as defined in the Local Government Act 2002 (LGA02).
Development agreement	A voluntary contractual agreement made under s 207A to 207F of the LGA02 between one or more developers and one or more territorial authorities for the provision, supply, or exchange of infrastructure, land, or money to provide network infrastructure, community infrastructure, or reserves in one or more districts or part of a district.
Development contributions	The current system for recovery of growth-related infrastructure costs. A development contribution is defined under s 197(2) of the LGA02.
Development levies policy	Under the LGA02 (s 102) a local authority must adopt a suite of funding and financial policies in order to provide predictability and certainty about sources and levels of funding. The development levies policy will be one of these (as a development contributions policy currently is).
High-cost overlay	A sub-area within a levy area where growth infrastructure costs are significantly higher, and additional charges apply.
Household unit equivalent (HUE)	A unit of demand used in development contribution policies representing the demand from a nominal household for activities. Different terms for the same concept include household units of demand, dwelling equivalent, or equivalent housing units.
Infrastructure network or service network	The provision of roads and other transport, water, wastewater, and stormwater collection and management.
Intangible assets	Non-physical resources that are essential for the provision of infrastructure. These may include tools such as computer models that help understand how a service network operates and assess the potential impact of various upgrades.
Levy area	Geographic area where levies are charged to recover infrastructure costs for anticipated growth.
Services	In the context of development levies, these are water, wastewater, stormwater, transport, reserves, and community infrastructure.
Unit of demand	A measure of demand used in a development contributions policy to quantify the impact of growth on a service. It is used in growth forecasts, the charge calculations, and in assessments for requiring development contributions.

1. Introduction

1.1 Purpose of consultation

The Government has made policy decisions to replace development contributions under the Local Government Act 2002 (LGA02) with a development levies system that will ensure that development pays an appropriate amount towards the infrastructure required for growth.

The consultation package comprises:

- this consultation document
- an exposure draft of Local Government (Infrastructure Funding) Amendment Bill (the Bill).

The Bill will also repeal sections of the LGA02 relating to development contributions. It will contain powers to make regulations to give effect to the detailed requirements around the proposed development levies. We are seeking feedback on implementing the policy decisions and the details of the proposed regulations. There are discussion questions within the document and a list of these questions in Annex 1.

Out of scope

We are only inviting submissions on proposals for a development levy under the LGA02, and on the regulations being developed to give effect to the levy. We are not inviting submissions on any other aspect of the Going for Housing Growth or Resource Management proposals. Specifically, the following proposals are out of scope:

- the Planning Bill
- amending the Infrastructure Funding and Financing Act 2020 (IFF Act).

1.2 Structure of this consultation document

- Section 1 provides an introduction to the consultation document
- Section 2 sets out the context for development levies
- Section 3 provides background and context to the proposals
- Section 4 sets out the policy underlying the development levy scheme and the details of the scheme
- Section 5 discusses how regulations will be used to implement the levy and provide detailed specifications, such as how councils will calculate the levy. It seeks feedback on the content of the regulations.

1.3 Next steps

We will consider and take into account all your submissions when finalising the Bill to amend the LGA02 and introduce the development levies system. Once the Bill is submitted to Parliament and has passed the first reading, it will go through the Select Committee process and there will be an opportunity to make submissions and appear before a Select Committee hearing. Table 1 sets out timeframes for the next steps.

Further information about the select committee process is available on https://www3.parliament.nz/en/pb/sc/

Following the public consultation process, we will provide further opportunities for interested parties to comment on the development of the regulations to ensure that they are workable for councils and developers.

Table 1: Next steps in introducing development levies

Consultation on the exposure draft of the Bill and development of regulations	Late November 2025
Consultation on draft bill finishes	February 2026
Bill introduced	May 2026
Bill passed	Quarter 1 2027
Councils can begin to charge development levies	From July 2028
Development contributions repealed (with savings provision for outstanding development contributions)	July 2030

2. Context

2.1 About Going for Housing Growth

As part of Pillar 2 of Going for Housing Growth, the Government has decided to replace development contributions with a development levies system.

New Zealand is experiencing a long-running housing crisis with barriers to housing supply inflating house and land prices. Our housing does not meet the needs of people and communities, and our cities are not functioning as well as they could. Cities are struggling to keep up with growth and are not maximising their potential as dynamic places of opportunity for people and businesses.

These issues are having far-reaching consequences, such as dampening economic growth and productivity, and limiting access to the housing market, which results in high government expenditure on housing support.

The objective of Going for Housing Growth is to improve housing affordability by increasing the supply of developable land for housing, both inside and at the edge of our urban areas. The programme proposes policy and regulatory changes to address excessively high land prices driven by market expectations that supply of developable urban land will not meet demand.

Going for Housing Growth is structured around three pillars which span a range of legislation and work programmes across government:

- Pillar 1: freeing up land for urban development, including removing unnecessary planning barriers
- Pillar 2: improving infrastructure funding and financing to support urban growth
- Pillar 3: providing incentives for communities and councils to support growth.

Pillar 1

In July 2024, the Government announced high-level policy decisions on Pillar 1 of Going for Housing Growth. This announcement included proposals to:

- introduce new housing growth targets for Tier 1 and 2 councils[1], requiring them to enable 30 years of feasible housing capacity in their district plans using 'high' household growth projections

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[1] Identified in the National Policy Statement on Urban Development 2020 – Tier 1 councils are local authorities with responsibility for the urban environments of: Auckland, Hamilton, Tauranga, Wellington, Christchurch. Tier 2 councils are local authorities with responsibility for the urban environments of: Whangārei, Rotorua, New Plymouth, Napier Hastings, Palmerston North, Nelson Tasman, Queenstown, Dunedin.

- strengthen the intensification requirements on Tier 1 councils, including a requirement to enable intensification along key transport corridors, offset development capacity lost due to reasons such as ‘special character’ and enable intensification across urban areas in line with demand and accessibility
- provide for a greater mix of uses (such as allowing dairies and cafes close to where people live) across urban environments
- prohibit councils from imposing rural-urban boundary lines in planning documents
- investigate options to require councils to spatially plan for 50 years of growth (up from 30) and be more responsive to private plan changes
- prohibit councils from setting minimum floor area or balcony requirements
- make the Medium Density Residential Standards optional for councils.

From June to August 2025, the Government consulted on a discussion document proposing how Pillar 1 could be implemented in the design of the new resource management system, including via legislation, national policy direction and national standards.[2] The Planning Bill will be introduced to Parliament before the end of 2025, with national policy direction and national standards developed over the course of 2026 and 2027. Submissions on the Pillar 1 discussion document will inform the development of these instruments.

Pillar 2

Pillar 2 is based around providing a flexible funding and financing toolkit that supports freeing up land for development. There is no single funding and financing approach that will suit all developments. Development opportunities vary in terms of size, alignment with planned council infrastructure investment, and impact on wider infrastructure networks. Councils and developers will be able to use a flexible toolkit, which includes development levies, development agreements, IFF Act levies, and targeted rates.

Pillar 2 includes three initiatives:

- replacing development contributions with a development levies system. This initiative is the focus of this consultation package
- making changes to improve the IFF Act. Legislation is expected to be introduced to the House by the end of 2025
- improving flexibility of targeted rates for growth infrastructure. These changes will enable a council to set targeted rates based on when a rating unit (for example, a separate property) is created at subdivision stage. Legislative changes to targeted rates are planned to be progressed through the bill that replaces development contributions with a development levies system.

[2] https://www.hud.govt.nz/about-us/have-your-say/past-consultations/going-for-housing-growth-providing-for-urban-development-in-the-new-resource-management-system

Pillar 3

Pillar 3 will focus on council and community incentives to support housing growth. Policy work is underway.

2.2 Why are development levies needed?

We intend to replace development contributions under the current system with development levies. Development contributions are the main tool that councils currently use to fund growth-related infrastructure costs. To charge development contributions, councils must plan and estimate costs for growth infrastructure before development occurs, and attribute costs to the areas where they plan for development. Councils then recover growth-related infrastructure costs through one-off charges when properties are developed.

Development contributions were designed in 2002 for a resource management system where councils closely managed the release of urban land. However, that approach has contributed to excessively high land prices, driven by market expectations of an ongoing shortage of developable urban land to meet demand. Increasing the supply of developable land under Pillar 1 means it is challenging for councils to precisely plan where development will occur and what infrastructure will be needed to service growth. Instead, councils need flexibility to adjust the provision of infrastructure to respond to development.

The inflexibility of development contributions leads to the following issues:

- councils cannot adequately recover the growth-related costs of infrastructure, because development can occur in places where councils have not been able to plan for necessary infrastructure and set appropriate development contributions
- costs therefore fall on ratepayers, which can make it more challenging for councils to free up land for development
- councils are constrained in their ability to adjust infrastructure plans to respond to development
- there can be unexpected changes to the level of development contributions charged in a given area, which limits the potential for infrastructure costs to be factored into land prices and can increase risks for developers.

There are also opportunities to improve how councils charge developers for growth-related infrastructure costs, such as greater standardisation in the way councils calculate charges and improved transparency.

2.3 Overall approach for development levies

The Government's overarching approach for Pillar 2 is that 'growth pays for growth'. This means that the growth-related costs of infrastructure that enables new development should be paid for by new development.

The proposed development levies system is designed so councils can forecast the growth-related infrastructure costs for a community, deliver infrastructure, and set appropriate levies to effectively recover costs from development. The design features for the development levies system are outlined later in this document. The key differences from the existing development contributions system are:

- development levies will be charged across levy areas that cover an entire community or service network (where this serves more than one community)
- charges will be set based on the aggregate cost of providing infrastructure capacity for growth across those levy areas, rather than cost to provide capacity for development in a specific location. However, if the cost to service part of a levy area is significantly higher, councils can set a high-cost overlay to reflect higher costs
- councils will have increased flexibility to adjust the provision of infrastructure to respond to demand.

Development levies will also be available to water organisations in the same way development contributions are at present.

In response to feedback from developers and the private sector the Government is also considering independent regulatory oversight for development levies to ensure charges are fair and appropriate. Further information on the proposed regulator and its functions will be provided in due course.

2.4 Impact for different groups

Development levies will impact groups in different ways.

The public

Development levies form part of the wider Going for Housing Growth work programme, which aims to improve housing affordability by increasing the supply of developable land. This will have broad benefits for the public including improving access to housing and improving the productivity of our cities.

Ratepayers

Development levies will improve councils' ability to recover the growth-related costs of infrastructure from new development. This will benefit ratepayers by reducing the growth-related costs of infrastructure that fall on ratepayers, and improved transparency will signal any contribution to development from rates.

Councils

Development levies will support councils to free up land for development by improving councils' flexibility to deliver infrastructure to respond to development while recovering costs from development. Improved cost recovery will help councils keep rates lower or enable them to improve services to their communities where needed.

Developers

Development levies will support freeing up land for development, which will make it easier for developers to acquire developable land. Development levies are also intended to provide developers with greater certainty and stability about how much councils will charge for the growth-related costs of infrastructure. This will support developers to factor in infrastructure charges when acquiring land for development and reduce financial risks from unexpected infrastructure charges.

When we use the term "developers" in this document, this covers everyone undertaking "development" - from companies building an entirely new suburb to a family adding a granny flat in their back yard. Different types of developers will be affected by the proposed changes in different ways.

Where developers have pre-purchased land, there is a risk that the shift to development levies leads to increased charges and has a negative financial impact on those developers. The scale of this risk will vary between different council areas and development opportunities. This risk and the approach to managing it is discussed later in this document in the section on transition.

Question 1

1.1 Do you have any feedback on why development levies are needed?

1.2 Do you have any feedback on the overall approach for development levies?

3. Overview

The following diagram shows the proposed approach to the development levies system as outlined in the consultation document.

Purpose & principles	To enable territorial authorities (TAs) to recover from developments the cost of capital expenditure necessary to provide capacity for growth. Six principles based on – necessity, sufficiency, proportionality, particularity, transparency and economic efficiency.
Development levies policy	TAs (councils), must prepare a development levies policy that: • explains the strategy and plan for using the land (e.g. alignment with Future Development Strategy). • explains how development levies are calculated, the method used, and on what basis. • sets out what the levies are, where they apply and what infrastructure projects and programmes they will help fund. The LGA02 special consultative procedure must be used when preparing (and reviewing 3-yearly) the policy (comes into effect at notification).
Development levies requirement	Councils can require development levies when a resource consent is granted, a building consent is granted, a certificate of acceptance (COA) is issued, a project information memorandum (PIM) (for a non-consented small stand-alone dwelling) is issued, or when an authorisation for a service connection is granted.
Levy areas & high-cost overlays	Development levies will be charged across "levy areas" covering an entire community – levies charged within a levy area must be used to meet the growth costs of infrastructure across the whole levy area. Levies must be centred on an urban community but can include related urban communities, or unrelated communities that rely on the same physical infrastructure network. The area may extend into surrounding rural land that benefits from the service the levy is required for.
	Some parts of a levy area may have higher growth costs for some services – councils must consider "high-cost overlays" (sub-area where infrastructure costs are significantly higher and additional charges apply).
	Councils must set a levy area for each service they are levying (the leviable services are water, wastewater, stormwater, transport, reserves and community infrastructure), with levies based on overall expected growth costs.
	Due to its scale, Auckland is an exception to the requirement for a levy area to cover an entire town or city – it will be required to set more than one levy area for each levy service. Watercare is responsible for water and wastewater provision.

How levies are determined	The levy rate for each service is calculated in three steps: 1. Identify recoverable growth costs in the levy area: • identify eligible capital projects that provide capacity for growth and determine project-level growth costs using the allocation methodology • add financing costs to project-level growth costs • aggregate project-level growth costs to programme level 2. Calculate the base levy rate (divide programme growth costs by total expected growth units e.g. HUEs). 3. Apply adjustments (external funding, credits, reductions, remissions).
Assessment & charging	• Levies assessed when council is notified of development and charged (lump-sum) when e.g. consent is granted. • Process for reconsiderations and objections. • Councils can offer (but must report on the cost of) remissions. • Reduction in levies may be provided where there is a materially lesser demand for infrastructure than anticipated in the policy. • Charged levies are subject to quarterly interest until paid and to reassessment after 3 years (then when a change in policy). • Councils can impose an administrative charge for assessing levies. • Enforcement of levy payment through withholding certificates and connections and registering unpaid levy as statutory land charge.
Development agreements	A council and developer can enter into a contractual agreement that outlines the specific details for providing infrastructure or land for a development where the project's needs don't align with a council's standard infrastructure provision timeframes.
Bespoke levy assessments	Levies may need to be collected for development outside an established levy area or in places where infrastructure is not planned for many years. The process for carrying out a bespoke assessment will differ to the standard process.
	Where a first mover developer builds infrastructure that supports future development beyond their own site, a council can reimburse them using levy revenue based on set conditions.
Use of development levy revenue	Levies must be applied to the purpose for which they were taken and for the benefit of the levy area from which they were taken. The additional levy for a high-cost overlay is to be applied to works that benefit the land within the overlay.

Regulations	Regulations will enable standardised practices and improve transparency and may include: • defining and allocating units of demand • allocating project costs between growth and other purposes • specifying the methods for allocating assessed levy income • setting administration charges • information disclosure requirements • treatment of intangible assets • record-keeping obligations
Regulator	The Government is considering independent, centralised, regulation of development levies.
Transition	Transitional provisions include: • a phased-in approach over 3 years to give councils time to prepare and consult on development levies policies • a phased price increase across 3 years (to reduce the risk to developers from unanticipated cost increases).

4. Legislation

4.1 Purpose and principles

Including a purpose and principles for development levies in legislation will guide the operation of development levies and assist with interpreting the law.

Clause 12 of the Bill, new s 211A, states that the purpose of development levies is: “to enable territorial authorities to recover from developments the cost of capital expenditure necessary to provide capacity for growth”. This purpose statement is broader than the current purpose statement in s 197AA of the LGA02 for development contributions.

The intention of the new purpose statement is to lay the foundation for a system in which existing and future ratepayers and developers meet their share of the cost of the infrastructure their community needs.

A broader purpose is needed to reflect the move from the development contributions system, which required a tight link between the cost of providing infrastructure and the specific developments which would benefit, to a development levies system, which will enable councils to aggregate growth costs over areas where they anticipate development. The goal of the shift to development levies is to enable councils to:

- make growth pay for growth
- respond to development
- credibly signal charges up front so that they feed back into land prices and not forward into housing prices.

The cost of providing infrastructure assets to provide additional capacity (including financing cost) is highly contingent on delivery timeframes and sequencing. Zoning excess land to give developers choice about where to build means councils cannot predict what infrastructure will be needed when. The levies system aims to enable sufficient cost recovery, regardless of where growth happens.

While a council may not be able to anticipate exactly **where** growth will happen in the short term, they can estimate **how much** growth is likely over the medium term. Under the proposed levies system, a council will plan to recover the cost of sufficient infrastructure capacity to support the amount of predicted growth, then recover a portion of the aggregate charges from each unit of growth. The levies system will allow councils to respond to demand, rather than restricting development choices.

The purpose statement is supported by the six principles outlined below (clause 12 of the Bill, new s 211B). These principles provide high-level guidance about how development levies should operate. These new principles largely align with those of development contributions (s 197AB of the LGA02) but are designed to fit with the purpose of development levies. An economic efficiency-based principle is a new addition.

Necessity

Development levies may only be required where the effects (or cumulative effects) of development within a levy area will create, or have created, a need for additional assets or assets of increased capacity for the provision of a specified service.

Sufficiency

Development levies should be set at a level that enables a territorial authority to recover the costs of capital expenditure necessary to service growth across a levy area over the long term.

Proportionality

Where capital expenditure provides other benefits, such as by renewing existing assets, or improving levels of service, cost allocations to growth must be proportional to the additional growth capacity provided.

Particularity

Development levy revenue must be used:

- for the growth costs in the service for which they were levied (e.g. water, wastewater, stormwater, transport)
- for the levy area where levied development is being undertaken.

Transparency

Territorial authorities must make information available to show how development levies are being used to provide additional capacity in the service for which they were levied and for the levy area where levied development is being undertaken.

Economic efficiency

Development levies should distribute growth costs in a manner that encourages the development of efficient infrastructure networks.

4.2 Development levies policy

Contents of a development levies policy

The new system will require councils wishing to apply development levies to prepare a development levies policy. Under the current system, councils must prepare a development contributions policy as per s 106 of the LGA02 and provide information on how development contributions are calculated. Councils are also required to consult on their draft development contributions policy and review the policy every three years.

Clauses 6 to 7 of the Bill provide requirements for development levies policies including:

- councils that want to use development levies must prepare a development levies policy
- councils need to explain how their development levies policy aligns with their financial and infrastructure strategies and land use plans and strategies. For example, a policy should line up with key elements of the council's Future Development Strategy
- councils must explain the method of calculating development levies and report on the basis of the calculations used[3]
- councils should clearly set out what the levies are, where they apply and what types of development they will help fund
- councils must use the special consultative procedure under the LGA02 when preparing a development levies policy
- councils must review their development levies policies at least once every three years.

Schedule 13B of the Bill sets out the content of development levies policies.

Effective date for development levies policies

Under the current system, a development contributions policy comes into effect after it has been consulted on and is adopted by council.

A levies policy will come into effect from the date it is notified for consultation, rather than when it is adopted (clause 12 of the Bill, new s 211Y). This approach minimises the potential for a flurry of applications being lodged prior to a final development levies policy being adopted, meaning developers will not be able to "lock in" the levy rates for the existing policy.

Clause 12 of the Bill, new s 211Z, states that any assessment issued between notification and final adoption of the policy would be adjusted if the final policy would result in a lower levy.

The development levies policy must be reviewed at least once every three years (clause 12 of the Bill, new s 110B). This is the same for development contributions policies under the current system.

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[3] This could include links to key council strategies, forecasting assumptions, levy areas and work that's going to be funded by development levies.

4.3 Power to require development levies

“Requiring” development levies is the power or authority to charge for them. Clause 12 of the Bill, new s 211K, lays out the triggers for requiring levies; these are very similar to the triggers for development contributions:

- a resource consent is granted under the Resource Management Act 1991 (RMA)
- a building consent is granted, or a certificate of acceptance (COA) is issued under the Building Act 2004
- an authorisation for a service connection is granted
- the same clause also includes new triggers to reflect more recent policy changes
- a resource consent granted through the Fast-track Approvals Act 2024
- a project information memorandum under the Building Act 2004 for building work in connection with a non-consented small stand-alone dwelling.

As with development contributions, the required amount or charge for development levies will be based on the policy in effect at the time of application for a consent or connection. This provides initial price certainty for developers.

4.4 Levy areas and high-cost overlays

Levy areas

Clause 12 of the Bill, new s 211H, sets out that development levies will be charged across “levy areas”. Levy areas are geographic areas where levies are charged to recover infrastructure costs for the anticipated level of growth across the entire area. Earlier consultation and Cabinet decisions on levy proposals referred to "levy zones" and "high-cost areas". However, the terms "zones" and "areas" are used widely in the RMA and resource management planning. To avoid confusion, we are now using the terms "levy areas" and "high-cost overlays". Terminology is often amended during the legal drafting process and changes in terminology do not affect the policy intent of Cabinet decisions.

Charging levies across levy areas is a fundamental shift in the way growth costs are shared across developments. A levy area will cover an entire community, and levies charged within that area will be used to meet the growth costs of infrastructure across the whole levy area. This will enable councils to adequately charge for growth in an environment where the greater availability of developable land means the sequence of growth within a community cannot be anticipated. Charging across an entire community will enable levies to be more stable across time, while flexibly supporting growth across the community.

The criteria for setting levy areas in the Bill reflect this. A levy area must be centred on an urban community but can include related urban communities, or unrelated communities that rely on the same physical infrastructure network. It may extend into surrounding rural land that may benefit from the service the levy is required for.

The "levy area first" approach will require a mindset shift from councils and developers.

Under the development contributions system, councils asked, "Where do we expect growth?" Then, "What infrastructure do we need to provide to support growth in these locations?" Where councils had correctly predicted the location and scale of growth and identified all the necessary infrastructure ahead of time, they could then recover costs from the developments which benefitted from the infrastructure. As discussed in section 2.2, this approach has led to councils being unable to sufficiently recover growth cost through development contributions.

Under the development levies system, the starting point will be, "How much growth do we expect across this entire community?" Then, "How can we sequence infrastructure provision to best support that growth?" Recovering costs from a community-wide levy area is essential to enable councils to re-sequence infrastructure provision as necessary to support growth.

Clause 12 of the Bill, new s 211U also requires councils to set a levy area for each leviable service (water[4], wastewater, stormwater, transport, reserves and community infrastructure with levies based on overall expected growth costs. Service networks for each of these services may cover different areas.

Levy areas for Auckland

Auckland is an exception to the requirement for a levy area to cover an entire town or city. In recognition of Auckland's scale, Auckland Council will be required to set more than one leviable area for each levy service with factors to consider set out in the Bill (clause 12 of the Bill, new s 211I). Auckland Council provides transport, stormwater, reserves and community infrastructure, with Watercare responsible for water and wastewater provision.

High-cost overlays

In recognition that some parts of a levy area may have higher growth costs for some services, clause 12 of the Bill, new s 211J, states councils must consider "high-cost overlays" within levy areas. A high-cost overlay is a sub-area within a levy area where infrastructure costs are significantly higher, and additional charges apply.

Within a high-cost overlay, developments would pay the levy area-wide levy for each service and an additional charge for the service (or services) that are more expensive to provide to the overlay area.

Clause 12 of the Bill, new s 211J, lists the criteria and matters a council must consider in determining whether to establish a high-cost overlay.

[4] Where councils choose to transfer provision of water, wastewater and/or stormwater services to a water organisation, the water organisation will be able to set levies for the transferred services. Where a water organisation's service area covers more than one territorial authority district, it would be able to set levy areas to cover towns and cities in more than one district, if that reflected their service networks.

Determining levy areas

The levy area for each leviable service would be set in a way that makes sense for that service as networks may cover different areas. For example, it may make sense for a council to set a transport levy area covering adjacent communities which share roading resources in everyday life (as people travel for work, education and recreation), but to set wastewater levy areas after considering the physical wastewater network.

To enable sufficient cost recovery, regardless of where in the levy area growth happens, a council will plan to recover the cost of sufficient infrastructure capacity to support the amount of predicted growth, then charge every unit of growth in the levy area a portion of the expected cost of providing this capacity.

Levy areas need to cover all development which will benefit from increasing the capacity of a service network. This does not mean every dwelling will pay the same levies regardless of where or what they build because:

- councils will be required to differentiate between development types, to reflect the difference in demand
- high-cost overlays will enable geographic price differentiation where the cost to deliver additional capacity to a particular service is much higher than the rest of the area.

Issues raised by stakeholders

During policy development, stakeholders expressed concern about the potential of averaging to reduce incentives to develop in areas where additional capacity could be provided at a lower cost. We assessed the available information and were unable to identify areas where infrastructure assets providing additional capacity genuinely cost less across a range of services. In making this assessment, officials looked at areas where development contributions were low or lower than adjacent areas. Our assessment was that most of the time lower development contributions do not represent a lower cost to provide additional capacity in service networks, rather, they represent a higher proportion of the cost of growth capacity being transferred to ratepayers. Development contributions have not been effectively recovering the full cost of growth, and these “lower cost” areas appear to be representative of this.

Another issue stakeholders raised was that of areas with sufficient infrastructure to support additional residential development, which would complement the existing use of infrastructure to support commercial activities during the day (for example, apartment buildings in a CBD area). This is related to the demand that certain types of development place on some infrastructure networks, rather than the cost of providing additional capacity for development in a particular location. If evidence supports the idea that development within a specific context can place lower demand on certain networks, this could be considered when development typologies are considered in regulations.

4.5 How levies are determined

The development levies system shifts the causal nexus away from **groups** of developments and **specific** infrastructure projects to a new nexus between **all** development and **aggregate** growth-related infrastructure costs across a levy area. Each **growth unit** within a levy area pays an equal share of the cost of providing infrastructure capacity for growth for each leviable service[5]. This sharing of costs across a levy area is what makes the new system a **levies** system – a levy shares costs across a group which benefits from the provision of a service.

To set the levy for each growth unit within a levy area a council needs to know:

- the expected number of growth units across the levy area (which will share the growth costs); and
- the **aggregate growth costs** of providing sufficient infrastructure capacity for the expected number of growth units.

Levies must be calculated separately for each service, and as discussed in section 4.4, the boundaries of a levy area may be different for different services.

The way councils determine the aggregate growth cost to share across levy payers needs to be set through legislation and regulations. This will be central to the effectiveness of the development levies system.

The Bill does not provide calculation steps at this stage as the methodology needs to be developed and tested before it can be drafted, with high-level steps in primary legislation, and detail in regulations. We will undertake targeted consultation on the methodology and there will be an opportunity for feedback during the select committee process. The following steps provide an indication of how levy calculation might work for each service (i.e. water, wastewater, stormwater, transport, reserves, and community infrastructure).

Step One. Identify recoverable **growth costs** for the levy area for the relevant infrastructure service:

a) Identify the eligible capital projects that will provide the infrastructure capacity needed for the expected number of growth units.

b) For each project, determine the growth cost using the methodology in regulations (see 5.1).

c) Aggregate project-level growth costs to get the aggregate growth costs.

Step Two. Calculate the base levy for the relevant infrastructure service:

a) Divide the aggregate growth costs by the expected number of growth units (e. household unit equivalents):

[5] With the exception of growth units within a high-cost overlay which pay an additional amount toward the high-cost assets or assets serving the area within the overlay.

$$\text{Base levy} = \frac{\text{aggregate growth costs}}{\text{expected growth units}}$$

Step Three. Apply adjustments for:

a) External funding (primarily deducted at project level, with programme-level adjustments if needed).

b) Credits, reductions and remissions.

When fully developed this methodology will be detailed, and its purpose is to calculate a fair and proportionate levy that reflects the cost of providing infrastructure capacity for growth in the levy area.

Future projects must fit with a council's expectations for growth. Projects beyond the period of the Long-term Plan may be included in the levy calculation provided there is sufficient commitment to delivering the project and sufficient connection to growth expected in the short to medium term.

However, councils are not obliged to deliver the specific future projects used in the levy calculation, provided that the levy revenue is used to meet recoverable growth costs for the relevant service, for the benefit of the levy area or high-cost overlay. This flexibility is necessary to align with the more enabling planning environment.

Question 2

2.1 What do you think of the requirement to link future projects used in a levy calculation to growth expected in the short to medium term? How might this impact council's ability to set high-cost overlays?

4.6 Assessment and charging

Overview of assessment, charging and invoicing

Like development contributions, development levies will be an up-front lump-sum charge. The levies required will be assessed when the council is notified about the development – such as when they receive a resource consent application. When the consent is granted, the levy requirement will be notified to the consent holder via a notice stating the development levies charge. [6]

Depending on the point at which the council is notified about the development, invoicing typically occurs at a later stage of the development. Councils will continue to have discretion over when they issue invoices.

Table 2 shows the new and existing features of the assessment and charging component of development levies with further explanation of the first two key aspects following the table.

[6] The format of the notice may be prescribed in regulations.

Table 2 New and existing features of assessment and charging

New features (clause 12, new ss 211ZZF to I, 211ZZO, 211ZB)
Assessed development levies will be subject to quarterly interest until paid (new s 211ZZF).
Charged development levies will be subject to reassessment at set trigger points (new s 211ZZG-H).
Councils will be able to impose an administrative charge (to be prescribed in regulations).
Where councils offer remissions, councils must report the cost of remissions, showing exactly what has been transferred to rates funding (new s 211ZZO).
Where a development application clearly and reliably leads to a materially lesser demand for infrastructure than anticipated by a development levies policy (for example, raingarden roof reducing stormwater runoff), a council will be able to provide a reduction to the standard development levy (new s 211ZB).
Existing features that will differ in the new system (clause 12, new s 211ZZH)
Where an application (e.g. a resource consent application) is modified and that results in an increased demand for infrastructure, an additional development levy may be required. Any additional charge will be based on the policy in force at the time the additional requirement is assessed (rather than the policy in force at the time of the original application).
Applicants have the right to objections but with amended scope.
Existing features that will carry through
Applicants have the right to reconsiderations (where an error has been made).
Councils can offer refunds in certain circumstances.
Councils can withhold final certificates or authorisations until payment is made.
Councils can register an unpaid levy as a statutory land charge[7] on the title.
Councils will have the ability to offer remissions for any purpose through setting criteria and consulting on them (see "new features" above regarding reporting on remissions) (s 110A)

[7] A charge on the land that is registered against the land title – it can restrict dealings with the land unless the development levies are paid.

The charging of interest and the reassessment of development levies after set time periods or policy changes

Under the current development contributions system, developers can take advantage of locking in the development contribution charge of a council's development contributions policy in force when they lodge an application. The time of payment collection (typically at the latter stages of a development) may be many years later, by which time a council's development contribution charges will have increased. In this scenario the council is therefore effectively covering the "bridging finance" for the associated growth infrastructure costs, and incurring interest, while the developer continues to hold onto the lower charge until they pay their contributions. Any under-recovery is absorbed by the ratepayer.

Under the new system, the initial amount required for development levies will be assessed against the development levies policy in force at the time the application is received. Until it's paid, this amount will then be adjusted through the addition of quarterly interest, and, by means of reassessment, so it continues to align with the development levies policy as it changes over time. This will help to prevent under recovery of growth costs.

Key features of this part of the Bill, as outlined in clause12, new ss 211ZZF to 211ZZH are:

- the initial amount charged will be increased by adding interest on a quarterly basis until the levy is paid[8]
- a development levy will be reassessed after three years from the date of lodgement of the application, based on the development levies policy currently in effect
- a development levy will then be further reassessed following the notification of each subsequent amendment of the development levies policy or schedules
- when a developer is notified that a levy has been reassessed, they are able to pay the prior amount within 30 working days of being notified
- if a developer does not pay a levy within 30 working days of being notified, they will be required to pay a development levy based on the updated figure in the reassessment.

These features mean that councils can ensure they are recovering the right growth costs at each point in time, using the most up-to-date information, as the reassessment will be based on the new or updated policy charges.

Developers will be able to lock in their charged rate by paying early. If they don't, with the reassessments being at predictable intervals, developers will have reasonable certainty of price and the ability to anticipate changes. They will also have the option of paying the prior levy within 30 working days of being notified of the levy being reassessed.

[8] The interest rate would be set annually by the Secretary for Local Government based on cost of borrowing from LGFA, by notice issued in the Gazette. This will typically be significantly less than a developer's borrowing costs and reflects the cost of holding the initial price.

4.7 Development agreements

A development agreement is a contractual agreement between a developer and a council, that outlines the specific details for funding or providing infrastructure or land for a development. These agreements cover infrastructure requirements for a development when a project's needs don't align with a council's standard development contribution or infrastructure provision timeframes. They are often established during the resource consent process and can cover aspects like the timing of infrastructure works, ownership of new infrastructure, land transfers, and monetary payments.

We are proposing a framework for development agreements that is substantially similar to the current framework set out in sections 207A to 207F of the LGA02, However the Bill proposes that the following additional matters must be taken into account when a council is considering a request to enter into a development agreement:

- the need to support the supply of housing and employment opportunities in its district
- how the proposed development will assist in meeting the authority's legislative land-use planning obligations.

Question 3
3.1 Are there other ways that development agreements could be strengthened?

4.8 Bespoke levy assessments

The proposed resource management reforms aim to make it easier for development to occur in more locations. This flexibility means councils will need a way to fund infrastructure for land that is not yet serviced, or inadequately serviced, for the proposed development. Councils may need the ability to collect development levies outside an established levy area or in places where additional infrastructure is not planned for many years. The proposed legislation specifies situations where a bespoke levy assessment may replace the standard levy.

Clause 12 of the Bill, new ss 211ZZ to 211ZZE set out key features of the process for a bespoke levy assessment, including:

- triggers for determining when a bespoke assessment is required after an application is received (e.g. if a development is outside a levy area, this would trigger a bespoke assessment)
- notifying applicants that a bespoke assessment will occur, including their options (for example, entering into a development agreement), and specify timeframes, forms, and related requirements
- a process for carrying out the bespoke assessment, separate from standard assessments and cost allocation methods

- notifying the results of the bespoke assessment, including any changes to scope (such as costs or infrastructure) and the options available to the developer at that point (for example, moving to a development agreement)
- a process for charging the levy, aligned as closely as possible with the default process
- a process for closing out the bespoke assessment, like the approach for managing inconsistent decision-making under s.80 of the LGA02
- the ability for the council to charge developers reasonable costs incurred with preparing a bespoke levy assessment.

Question 4

4.1 Are there other situations where bespoke levy assessments should be triggered?

First mover developments

In some cases, a first mover developer may build infrastructure that supports future development beyond their own site, such as a wider road that provides access to other sites to be later subdivided and developed. While this infrastructure benefits other landowners, currently the first mover bears the full cost, and the asset is vested in the council at no charge. This creates an inequity, and disincentivises developers, as the first mover funds infrastructure that enables further growth, while the council incurs no capital cost and cannot charge a levy for it without legal authority.

Clause 12 of the Bill, new s 211T, enables councils to reimburse first mover developers using levy revenue under the following conditions:

- there is an agreement between the council and the developer on the additional cost and the amount to be reimbursed
- payments may be linked to development in a defined area, which need not align with existing levy areas or high-cost overlays
- councils may apply a time limit to the reimbursement, sharing the risk if subsequent development is delayed.

The first mover may also assign the right to receive reimbursement to another party. This supports industry practice where developments are managed through single-purpose entities that are wound up upon completion. For example, a developer may set up a new subsidiary company for a specific development and close it when the development is complete. After closure of the subsidiary company, payments would be made to the parent company.

Question 5

5.1 Can you provide case studies or examples that are representative of first mover developments?

5.2 Are there other ways of ensuring fairness to first mover developments?

4.9 Use of development levy revenue

The levies system is designed to enable councils to respond to growth within a levy area, by using levy funding to meet growth demand wherever developers choose to build. The future projects used to calculate levy rates may not be the projects which the council delivers, if growth patterns differ from what the council anticipated.

Clause 12 of the Bill new s 211Q proposes that levies must be applied to the purpose for which they were taken and for the benefit of the levy area from which they were required. The additional levy for a high-cost overlay is to be applied to works that benefit the land within that overlay.

New sections 211R and 211S cover the use of the development levy for reserves.

Question 6

6.1 What process could we put in place to provide clarity about the differences between the anticipated and actual use of levy funds?

4.10 Regulation-making powers

To ensure a consistent approach between councils, clause 12 of the Bill, new s 211ZZO will enable regulations to standardise levy setting practices and improve transparency, especially around how development levies are spent. These may include:

- **defining and allocating units of demand** – to ensure consistent methods for estimating the impact of new developments
- **allocating project costs between growth and other purposes** – to clarify what portion of infrastructure costs can be recovered through levies (see Step 1, page 24)
- **setting administration charges** – to standardise fees for processing levy assessments
- **information disclosure requirements** – to improve public visibility of how levies are calculated and spent
- **treatment of intangible assets** – to provide clear rules for assets that don’t have a physical form but still support growth
- **record-keeping obligations** – to ensure councils maintain consistent and accessible records.

Question 7

7.1 Do you agree with the proposed topics for which regulation-making powers would be established?

7.2 Are there any unexpected or unintended impacts you think could result from standardising these parts of the development contributions system?

7.3 What other aspects of the current development contributions system could benefit from regulations or standardisation?

4.11 Transition to development levies

The final Bill will include transitional provisions, including a phased-in approach over three years to give councils time to prepare and consult on development levies policies and ensure alignment with long term planning cycles. Parallel transitional provisions will apply to water organisations.

The shift to development levies may result in an increase in infrastructure charges for some developers. This may impact the viability of some developments or have negative financial impacts for developers who have pre-purchased land at an assumed rate of development contribution. It is not possible to precisely estimate the scale of any change in charges for individual council areas or developments, as they will depend on local circumstances. They will also depend on the nature of councils existing development contributions (for example, whether they have recently introduced any significant increases to development contributions).

To reduce risks to developers, there would be a phase-in mechanism for any increased charges. This would apply where councils implement the development levies system at the start of the transition period and seek to charge development levies from 1 July 2028. Under the phase-in mechanism, where development levies are higher than the pre-existing development contributions that would have applied to the same development, any price increases would be phased in between 1 July 2028 and 1 July 2030. In other words, one-third of the price increase would apply from 1 July 2028, two-thirds of the price increase would apply from 1 July 2029, and the full price increase would apply from 1 July 2030.

Ministers have agreed that councils will not be able to apply new development contributions to applications lodged after June 2030. Proposed timeframes for implementation of development levies are shown in Table 1.

Ministers have also agreed that:

- for consent applications lodged before the new development levies policy is advertised, or a set cutoff date, the development contributions policy will apply
- the development contribution will lapse three years after it was required, and at that point the consent holder can pay the development contribution in full or accept a development levy assessment.
- the provisions will ensure that a council will not be able to "double dip" by charging both a development contribution and a levy at any time (Clause 12 of the Bill, new s 211N).

Question 8

8.1 What time period would be suitable for moving to development levies?

8.2 How can the phase-in to development levies be used to manage the impact on developers?

8.3 How do you think the phase-in proposals above would affect councils' ability to fund the infrastructure necessary to provide for growth?

5. Regulations

The development contributions system was entirely in primary legislation and gave councils broad scope to develop their own processes and practices.

Development levies will be subject to standardisation of key elements through regulations. This section presents the proposed scope of this standardisation and approaches to standardisation in the areas which will have the greatest impact.

We are still in the early stages of developing these approaches and we want to work with stakeholders to determine the impact through investigating real-world examples. We also want views on the key factors we should take into account when developing regulations. We will continue to work on these issues throughout the consultation period and would welcome early engagement. This is discussed further in section 5.5.

5.1 Growth costs to be recovered by development levies

Why change is needed

Under the development contributions system, councils can develop their own methodology for determining what proportion of project or programme costs to attribute to growth – provided that it is consistent with the purposes, principles, and considerations specified in the LGA02. This has led to inconsistent practice, which is incompatible with effective regulation.

Development levies are not based on a strict "user pays" principle, rather they provide councils with the flexibility to use levies funds to provide growth capacity into an infrastructure network within a levy area in a way that best supports anticipated growth. Levies allow a more flexible supply of infrastructure, but there is less certainty for stakeholders that a particular piece of infrastructure will be delivered by a particular date.

A robust cost attribution process that is consistent across councils is needed to ensure social licence for the development levies scheme. Growth cost allocation processes also need to account for changes in key attributes and parameters over time such as scope adjustments, prioritisation and sequencing adjustments, technology changes, and changes to the rate and distribution of growth.

What do we mean by growth cost allocation?

Many infrastructure projects serve multiple objectives, such as replacing ageing assets, improving service levels, and providing additional capacity for growth. For example, a project to replace a 60-year-old sewer main may involve:

- a renewal component (replacing the old asset)
- a “level of service” improvement component, (if increasing its size reduces sewer overflows)

- a growth component (where additional capacity is added to accommodate development).

Only the proportion of costs attributed to growth will be met through levy funding. The proportion of costs related to the other drivers must be met from rates and other sources of funding.

What change is being proposed

Regulations will set out a detailed cost allocation process to determine the proportion of the cost of an infrastructure project or programme works to attribute to growth. Councils and water organisations charging development levies will be required to use this process to determine the growth cost for each asset, project, or programme of works.

The process will need to enable councils to distinguish between additional capacity to serve new development, and capacity needed for reasons other than growth, such as environmental resilience, emergency access, or increased demand from existing businesses. The following steps provide an indication of how growth cost allocation for each service might work:

1. Determine **added capacity** (total capacity – existing capacity).
2. Split added capacity into **existing shortfall** and **growth capacity**.
3. Calculate the **growth proportion** (as a percentage) of added capacity (growth capacity/added capacity x 100) and apply it to the project's eligible expenditure (including financing costs) to determine the **growth cost.**

Depending on the approach taken, standardising the process of allocating cost to growth may also require standardising the approach to allocating costs to renewal and level of service.

Should the allocation of costs to renewal be standardised?

An expectation that councils are responsive and flexible in the provision of infrastructure may result in an increase in additional capacity provided out of cycle with planned renewals. Regulations could set a process to determine the maximum cost that can be attributed to renewal, based on the remaining useful life of the asset being replaced.

For example, regulations could specify that where an asset to be replaced by an asset of increased capacity is less than 50% of the way through its useful life, no cost should be allocated to renewal. Using the example of the sewer main given above, if this asset had a useful life of 60 years, but was being replaced after 25 years with an asset of increased capacity, none of the cost would be allocated to renewal. All costs would be allocated across levels of service and growth.

If this approach is taken, options for standardisation could be:

- setting a threshold under which no portion of costs can be allocated to renewal and:
    - applying a sliding scale above the threshold

- apply a sliding scale above the threshold until a second threshold is met, after which the maximum cost that can be allocated to renewal is equivalent to replacement cost

or

- applying a sliding scale to replacement costs no matter how far an asset is through its useful life.

If the approach to allocating costs to renewals is standardised using replacement costs as a factor, councils would then need to determine the basis it uses for estimating the cost of standalone renewals works.

Note that where an asset is at the end of its life, there should be no expectation that the full replacement costs will be allocated to renewal. According to the principles set out in clause 12 of the Bill, new s 211B, the cost allocated to growth should be proportional to the additional growth capacity provided. The benefit that accrues to existing communities and new development should remain the principal consideration in the allocation of costs between renewal, level of service, and growth.

> Question 9
>
> 9.1 What would be the impact of standardising how the maximum cost attributable to renewal should be determined?
>
> 9.2 What should be considered in assigning benefit to existing communities versus development?

5.2 Setting units of demand for charging development levies

Service level equivalent for one unit of demand

Current approach

A unit of demand allows the costs of growth to be shared fairly between different developments, based on how much demand to services each is expected to create. The most common unit of demand used in development contributions policies is the household unit equivalent. Other terms for “unit of demand” include “household units of demand”, “dwelling equivalent” or “equivalent housing units”.

Councils assign service level value to one household unit equivalent by estimating the average demand an average household places on a service such as litres of water per day, vehicle trips per day for transport, or square metres of impervious surface for stormwater.

The LGA02 requires councils to explain the basis behind these values. However, these values vary between councils, reflecting local differences in development patterns, service use, and community expectations. For example, one council may require stormwater systems to be capable of dealing with a “one in ten year” level inundation event, whereas another council may set the service level at “one in one hundred years”. The service level that their community finds acceptable is usually based on their perception of risk.

Standard service level equivalents for one unit of demand

The current approach leads to differences in how household unit equivalents are interpreted across councils. We are exploring whether introducing more consistency would be beneficial, and what form that consistency might take. This might involve prescribing measurement units (for example, litres per day), which would improve comparability while allowing councils some flexibility. Another option is prescribing both units and values, which would create more consistency but reduce the ability to reflect local conditions.

Question 10

10.1 To what extent would greater national consistency in interpreting units of demand improve clarity, fairness, and comparability of development levies across councils?

10.2 How much flexibility should regulations allow in reflecting local conditions such as density, geography, or service delivery models?

10.3 Are there risks in fully standardising both measurements and values for units of demand across all councils?

Allocating units of demand to a specific development

Different developments create different levels of demand on infrastructure. For example, a shop may generate more vehicle activity than a house and therefore create more demand for transport infrastructure. A standalone house may create more stormwater run-off than a single unit in a multi-storey apartment building.

Councils seek to charge development contributions fairly by using tables that estimate how much demand different types of developments place on infrastructure services. These tables assign units of demand to a development type based on expected impacts, such as traffic generation or stormwater runoff. These conversion tables are included in council development contribution policies and are based on empirical data such as transport/trip generation databases. Currently, councils each set their own tables differently.

Another way we are considering improving consistency when using units of demand is to set in regulation a list of residential and non-residential development types. For each development type and each infrastructure service, units of demand would also be fixed using a standard metric such as the number of bedrooms, gross floor area, or impervious surface area. This approach could reduce the administrative burden on councils, minimise disputes over levy calculations, and give developers greater certainty when operating across different council areas.

Table 3 shows an example of how units of demand might be allocated to a specific development type. This is for illustration purposes only.

Table 3: Standard system for allocating units of demand to a specific development type

Development type (set in regulations)	**Service**	**Metric (set in regulations)**	**Units of Demand (set in regulations)**
Residential development			
Standard or detached residential unit	Stormwater	Per lot	1 unit per lot
	Water, wastewater, transport, reserves, community infrastructure	Number of bedrooms	0.33 unit (1 bedroom) 0.66 unit (2 bedrooms) 1.0 unit (3 bedrooms) 1.33 units (>3 bedrooms)
Attached or multi-residential unit	Stormwater	Impervious surface area (ISA)	1 unit per 292m² ISA
	Water, wastewater, transport, reserves, community infrastructure	Number of bedrooms	0.33 unit (1 bedroom) 0.66 unit (2 bedrooms) 1.0 unit (3 bedrooms) 1.33 units (>3 bedrooms)
Non-residential development			
Commercial	Transport	Gross floor area (GFA)	1.740 units per $100m^2$
	Water	GFA	0.394 unit per $100m^2$
	Wastewater	GFA	0.507 unit per $100m^2$
	Stormwater	Site area	0.385 unit per $100m^2$
	Reserves	N/A	0.0 unit
	Community infrastructure	N/A	0.0 unit

Development types

Tables 4 and 5 are working lists of proposed residential and non-residential development types.

Table 4: Suggested working list of residential development types

Residential Development Type	Description
1. Standard or detached residential unit	Typically three bedrooms Assessed as one unit of demand
2. Ancillary or secondary units	Smaller dwelling accessory to a primary residential unit
3. Attached or multi residential unit	Two or more residential units on a single site Units share walls or structural element
4. Retirement and aged care accommodation	Multiple units Designed primarily for retired/aged people Associated facilities or services for these residents (for example, 24-hour on-site medical care) May have lower demand on certain services
5. Student accommodation	Multiple units Designed primarily for students or guests of tertiary education institutions Communal areas such as lounges, study areas, laundries, or kitchens Demand for services may be subject to seasonal patterns
6. Worker accommodation	Multiple units Communal areas such as lounges laundries, or kitchens Demand for services may be subject to seasonal patterns
7. Visitor accommodation	Multiple units Length of stay is typically restricted Associated facilities or services for residents (for example, dining and sanitary facilities, conference, bar, recreational facilities) Includes camping grounds, motor parks, hotels, motels, backpackers' accommodation, bunkhouses, tourist houses, lodges

Question 11

11.1 Does this list capture the main types of residential development that councils typically assess for development contributions?

11.2 Are any of the listed development types too broad or too narrow to be useful in practice?

11.3 Are there any residential development types missing from the list? Please specify and describe their characteristics.

Table 5: Suggested working list of non-residential development types

Non-residential Development Type	Examples
1. Retail and service	Shops, supermarkets, malls, showrooms, hairdressers, dry cleaners, personal services, and drive-through fast food outlets
2. Commercial	Offices, banks, professional services, government buildings, call centres, real estate agencies
3. Industrial – dry	Light manufacturing, assembly, storage, logistics, distribution, workshops, warehouses
4. Industrial – wet	Food or beverage processing, dairies, meatworks, laundries, wet trades, breweries, or any industry with high water/wastewater usage
5. Education and training	Schools, universities, training institutes, early childhood centres, childcare facilities
6. Medical and health	Hospitals, medical centres, dental clinics, hospices
7. Community and institutional activities	Churches, marae, community halls, libraries, museums, civic buildings
8. Recreation, entertainment, and leisure	Gyms, cinemas, theatres, stadiums, aquatic centres, golf courses, sports clubs, theme parks
9. Primary production and rural industry	Quarries, farm quarries, packhouses, greenhouses, chicken sheds, rural processing, wineries
10. Transport and utility	Airports, depots, public toilets, substations, transport terminals
11. Mixed use	

Question 12

12.1 Does this list capture the main types of non-residential development that councils typically assess for development contributions?

12.2 Are any of the listed development types too broad or too narrow to be useful in practice?

12.3 Are there any non-residential development types missing from the list? Please specify and describe their characteristics.

Setting units of demand based on development type

Expected occupancy forms a basis for calculating units of demand, which in turn determine the amount of development contributions. Councils estimate likely occupancy using indicators such as the number of bedrooms or gross floor area. Different development types have varying demand profiles depending on their occupants. For example, student or temporary worker accommodation may not operate at full capacity year-round due to seasonal patterns, while retirement villages may place lower demand on certain services, such as transport or reserves. These variations are typically addressed by applying adjustments to the units of demand.

We are yet to develop a banded system, which may be set out in regulations, that would allocate units of demand incrementally to different types of development for specific services (see Table 3 for an illustration). We plan to seek further input from stakeholders on how this system could be effectively designed and implemented in practice.

Question 13

13.1 What are your views on using the number of bedrooms or gross floor area as indicators of expected occupancy?

13.2 Are there other indicators that better reflect likely service demand for certain types of development?

13.3 Are there other examples of development types that may warrant differentiated treatment?

5.3 Public information disclosure requirements

Currently, there is no specific requirement for councils to report how much they collect in development contributions or how those funds are used. The move to development levies gives councils more flexibility to recover the costs of growth in a less prescriptive planning environment. This flexibility also introduces some uncertainty, in terms of planning long-term infrastructure investments and clearly explaining how growth costs are managed. To address this, regulation is needed to set clear expectations for how development levies should be used and to ensure the process is transparent.

Regulations will set out the information that councils must include in their annual reports about development levy collections and spending. They will make a range of information available to the public, including the following:

- how levy schedules were calculated
- how an individual developer's levy was determined
- what the collected funds have been spent on
- what infrastructure has been delivered.

Regulations may also require the use of standard reporting templates to ensure consistency. For example, summary information will appear in the annual report, with more detailed supporting data published on the council's website.

The disclosures regime will also be supported by a validity issues process enabled by the primary legislation. This process will let the responsible government agency identify, or be alerted to, possible problems with the accuracy or reliability of the information councils provide. The focus will be on whether the information is correct and trustworthy, not just whether it has been submitted. If serious issues are found, the process could lead to Crown intervention.

> Question 14
>
> 14.1 What further information would you like to see in a disclosure scheme?

5.4 Other matters

Setting an administration charge

Under the proposed legislation, councils will be allowed to impose an administration charge for assessing the amount of a development levy, with the amount set by regulation.

> Question 15
>
> 15.1 What approach do you think is most appropriate for setting the administration fee:
>
> - a fixed amount (per application or reassessment for example)
> - a formula-based calculation (based on staff hourly rate or percentage of levy charge for example)
> - a sliding scale?
>
> 15.2 Are there any risks or unintended consequences of introducing an administration charge that we should consider?

Specifying intangible assets that can be levied for

Intangible assets are non-physical tools, like computer models, that help understand how the network performs and what impact different upgrades might have. Currently, only projects that count as capital expenditure can be funded through development contributions. This can include intangible assets. However, the inclusion of certain intangible assets, such as those used for growth planning, costing, or system administration, has previously been a subject of legal challenges, raising concerns about the credibility of development contribution charges.

To address this, the proposed legislation provides for a regulation making power that will enable only intangible assets of a specified type or with specified characteristics to be included in the calculation of development levies.

> Question 16
>
> 16.1 For councils: what types of intangible assets do you currently include when calculating development contributions?
>
> 16.2 Which intangible assets do you think should be included in the levy calculation?
>
> 16.3 Are there any intangible assets you believe should not be included in the levy calculation?

5.5 Further consultation on levy regulations

We want to make sure that the levy regulations are fit for purpose, cover all the aspects required to implement the levy, and are easy to use. We are still at an early stage of developing these regulations. There may be further opportunities for interested parties to be involved.

> Question 17
>
> 17.1 Are there specific aspects of the levy regulations that you would like the opportunity to provide input on?

Annex 1: Summary of consultation questions

2 Context

Question 1

1.1 Do you have any feedback on why development levies are needed?

1.2 Do you have any feedback on the overall approach for development levies?

4.5 How levies are determined

Question 2

2.1 What do you think of the requirement to link future projects used in a levy calculation to growth expected in the short to medium term? How might this impact council's ability to set high-cost overlays?

4.7 Development agreements

Question 3

3.1 Are there other ways that development agreements could be strengthened?

4.8 Bespoke levy assessments

Question 4

4.1 Are there other situations where bespoke levy assessments should be triggered?

Question 5

5.1 Can you provide case studies or examples that are representative of first mover developments?

5.2 Are there other ways of ensuring fairness to first mover developments?

4.9 Use of development levy revenue

Question 6

6.1 What process could we put in place to provide clarity about the differences between the anticipated and actual use of levy funds?

4.10 Regulation-making powers

Question 7

7.1 Do you agree with the proposed topics for which regulation-making powers would be established?

7.2 Are there any unexpected or unintended impacts you think could result from standardising these parts of the development contributions system?

7.3 What other aspects of the current development contributions system could benefit from regulations or standardisation?

4.11 Transition to development levies

Question 8

8.1 What time period would be suitable for moving to development levies?

8.2 How can the phase-in to development levies be used to manage the impact on developers?

8.3 How do you think the phase-in proposals above would affect councils' ability to fund the infrastructure necessary to provide for growth?

5.1 Growth costs to be recovered by development levies

Question 9

9.1 What would be the impact of standardising how the maximum cost attributable to renewal should be determined?

9.2 What should be considered in assigning benefit to existing communities versus development?

5.2 Setting units of demand for charging development levies

Question 10

10.1 To what extent would greater national consistency in interpreting units of demand improve clarity, fairness, and comparability of development levies across councils?

10.2 How much flexibility should regulations allow in reflecting local conditions such as density, geography, or service delivery models?

10.3 Are there risks in fully standardising both measurements and values for units of demand across all councils?

Question 11

11.1 Does this list capture the main types of residential development that councils typically assess for development contributions?

11.2 Are any of the listed development types too broad or too narrow to be useful in practice?

11.3 Are there any residential development types missing from the list? Please specify and describe their characteristics.

Question 12

12.1 Does this list capture the main types of non-residential development that councils typically assess for development contributions?

12.2 Are any of the listed development types too broad or too narrow to be useful in practice?

12.3 Are there any non-residential development types missing from the list? Please specify and describe their characteristics.

Question 13

13.1 What are your views on using the number of bedrooms or gross floor area as indicators of expected occupancy?

13.2 Are there other indicators that better reflect likely service demand for certain types of development?

13.3 Are there other examples of development types that may warrant differentiated treatment?

5.3 Public information disclosure requirements

Question 14

14.1 What further information would you like to see in a disclosure scheme?

5.4 Other matters

Question 15

15.1 What approach do you think is most appropriate for setting the administration fee:

- a fixed amount (per application or reassessment for example)
- a formula-based calculation (based on staff hourly rate or percentage of levy charge for example)
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17.1 Are there specific aspects of the levy regulations that you would like the opportunity to provide input on?