

Property Council New Zealand

Submission on

Christchurch City Council Draft Development Contributions Policy 2025

26 March 2025

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Submission on Christchurch City Council Draft Development Contributions Policy 2025.

1. Summary

- 1.1 Property Council New Zealand South Island Regional Branch (“Property Council”) welcomes the opportunity to provide feedback on [Christchurch City Council Draft Development Contributions Policy 2025](#) (“the Draft DC Policy”). It is critical to have a robust development contribution policy that would allow the industry to make informed long-term investment decisions and ensure fair distribution of the cost of development amongst all ratepayers.
- 1.2 Property Council strongly opposes the proposed increases to development contribution fees. Development contributions can either enable or stifle development. The Draft DC Policy proposes increases up to 271 per cent which will negatively impact development resulting in; less development, less employment, less housing and less revenue for Christchurch City Council.
- 1.3 We are deeply concerned about the impact the proposed increases will have on housing supply and affordability. Significant development contribution fee increases will likely result in Christchurch becoming uncompetitive for new housing developments compared with neighbouring and other comparable regions. If enacted, this development contribution policy could add tens of thousands of dollars to the price of a new build house in Christchurch. The commercial implications of this policy will also be greatly impacted.
- 1.4 The Draft DC Policy was released prior to Central Government’s announcement to overhaul development contribution fees and replace them with developer levies. Legislation enabling development levies will occur in September 2025, only six months away.
- 1.5 Property Council welcomed the Government’s recent announcement regarding an overhaul of development contribution fees. Property Council has strongly advocated for an independent regulator to bring much-needed consistency to an unpredictable system. We have also advocated for development contributions be ringfenced to ensure that fees are spent directly on infrastructure tied to the specific development areas. Property Council has previously raised both ideas with the Government, so it’s encouraging to see the Government working on legislative changes that will be introduced to the House in six months’ time.
- 1.6 In light of the Government’s new work programme to replace development contribution fees with development levies, **we recommend Christchurch City Council pause its development contributions review until the new levy system is in place.** This can be achieved through seeking approval to extend the three-year DC review timeframe within legislation, similar to what the Christchurch City Council has done in the past to receive extensions on Plan Changes.
- 1.7 A pause is the sensible thing to do, reducing council resources in the interim and creating certainty of status quo for developers before the overhaul of development contribution fees occurs. A comprehensive review of the Draft DC Policy should occur under the new development levy regime.

- 1.8 If Christchurch City Council does not pause the development contributions policy, it could halt developments until a developer levy programme is established, as the uncertainty of transitioning between two systems in under a year would likely discourage development.

2. Recommendations

- 2.1 At a high level, we recommend that Christchurch City Council:

- Pause the Draft DC Policy until the Government releases new requirements for councils under their development levies programme. This can be achieved through approving an extension to completing a DC Policy within a three-year period. A comprehensive review of the Draft DC Policy should occur under the new development levy regime.

- 2.2 However, if Christchurch City Council chooses to move forward with the Draft DC Policy, we recommend that Christchurch City Council:

- Does not increase development contributions by the amount proposed and instead reduces the rate of increase;
- Extend the list of existing demand credits to 15-20 years (**Option B**);
- Retain the current approach to large residential units over 100m² to be assessed at one HUE (**Option A**);
- Retain the remission provision (**Option A**);
- Explore and adopt elements from other councils' remission schemes, as these have proven to be effective in promoting development and boosting the vibrancy of areas;
- Continue providing discounts for on-site management/mitigation requirements, no matter the scale of mitigation (**Option C**); and
- Retain the multiunit adjustment for stormwater (**Option B**).

3. Introduction

- 3.1. Property Council is the leading not-for-profit advocate for New Zealand's most significant industry, property. Our organisational purpose is, "Together, shaping cities where communities thrive".
- 3.2. The property sector shapes New Zealand's social, economic and environmental fabric. Property Council advocates for the creation and retention of a well-designed, functional and sustainable built environment, in order to contribute to the overall prosperity and well-being of New Zealand.
- 3.3. Property is the largest industry in Canterbury. There are around \$245.5 billion in property assets across Canterbury, with property providing a direct contribution to GDP of \$4.5 billion and employment for 34,860 Canterbury residents.
- 3.4. We connect property professionals and represent the interests of 149 Canterbury based member companies across the private, public and charitable sectors.

- 3.5. This document provides Property Council's feedback on the [Development Contributions Policy Review 2025](#). Comments and recommendations are provided on issues relevant to Property Council's members.

4. Pause the proposed DC Policy Amendments

- 4.1. We strongly encourage Christchurch City Council to pause the Draft DC Policy. The Draft DC Policy was released prior to Central Government's announcement to overhaul development contribution fees and replace them with developer levies. Legislation enabling development levies will occur in September 2025, only six months away. We recommend Christchurch City Council's resources are put into reviewing the new development levy system rather than making amends to the current development contributions policy which will be overhauled within the next year.
- 4.2. A pause can be made by requesting an extension to complete a DC Policy review. Councils often ask for extensions when central government makes new announcements. For example, Christchurch City Council requested an extension for their Plan Change after the government announced changes to Medium Density Residential Standards.
- 4.3. If Christchurch City Council does not pause the development contributions policy, it could halt developments until a developer levy programme is established, as the uncertainty of transitioning between two systems in under a year would discourage development.

5. Proposed Draft DC Policy Amendments

- 5.1. If Christchurch City Council continues to move forward with the Draft DC Policy, we have provided specific feedback below.

6. Impact of proposed fee increases

- 6.1. Development contributions can either enable or stifle growth. However, increasing fees by up to 271 per cent¹ is a strong deterrent for development in Christchurch and introduce a huge amount of uncertainty into the market.
- 6.2. Christchurch City Council has proposed significant increases to development contribution fees across Christchurch. If implemented, these increases may render some developments financially unfeasible for our members. Below are some examples of development fee increases across Christchurch for both residential and commercial projects that our members are facing:
- An average increase of \$15,000 per HUE/residential development.
 - A 122% increase in development contribution fees for a multi-use development project.
 - A 356% increase in development contribution fees for a large-scale townhouse project.

These proposed increases have raised serious concerns among our members about the viability of development, particularly given the rising construction costs and a softening market environment. Moreover, commercial development in Christchurch is already challenging, as the

¹ [Development Contribution charges 2016, 2021, 2025 comparison](#)

city grapples with lower lease rates while facing costs comparable to those in larger cities like Auckland and Wellington.

Table 1: Proposed charges for one household unit equivalent throughout the district

Catchment	Current DC	Average Proposed DC	Percent Increase
Christchurch Central (Central Catchment)	\$8,126.76	\$29,562.70	263.77%
Papanui (Central Catchment)	\$11,373.77	\$29,562.70	159.92%
Linwood (East Catchment)	\$7,874.03	\$29,273.25	271.77%
Burwood (East Catchment)	\$19,791.61	\$29,273.25	47.91%
Spreydon (South Catchment)	\$12,702.04	\$32,031.11	152.17%
Hornby (West Catchment)	\$26,640.42	\$37,200.54	39.64%
Belfast (North Catchment)	\$29,153.47	\$37,166.72	27.49%

Impact on housing affordability

- 6.3. The proposed development contribution fee increases could significantly increase the cost and risk of development. At a time when we desperately need to be increasing Christchurch's housing supply, particularly of affordable housing, and streamlining development, we are potentially creating a 'perfect storm' that could have the opposite effect.
- 6.4. Increased development contribution fees across Christchurch will likely result in the following outcomes:
- Additional costs being passed onto the eventual buyer or occupier, making housing and occupancy costs more expensive; and/or
 - Planned developments being postponed, re-evaluated, or cancelled, due to increased costs reducing the overall affordability of the development or project; and
 - Less affordable typologies of housing being built.

Impact on business and employment

- 6.5. Furthermore, Property Council's Property Impact report², shows that the property sector provides employment for 34,860 Canterbury residents. A significant portion of these workers will be employed and/or live in Christchurch. Having a development contribution policy that makes development unfeasible will have direct implications for employment, with numerous flow-on effects to the multitude of professional services and sub-contractors (such as plumbers or electricians) that work on new developments.
- 6.6. A typical land development subdivision project might employ around 130 people over the life of the project. A typical 100-unit apartment development project might employ around 300

²[Property Impact Report 2024](#), Property Council New Zealand.

people over the life of the project. If development goes elsewhere, the flow on effects for Christchurch are enormous.

- 6.7. Unaffordable development contribution fees will result in less activity, less employment and less spend in Christchurch.

7. Accuracy of development contribution calculations by Christchurch City Council

- 7.1. The sector is concerned with Christchurch City Council's calculation of development contributions. In some circumstances, we have received feedback that Christchurch City Council collected development contributions much higher than signalled, only to reduce these fees by a significant amount once the calculations are contested.
- 7.2. While the proposed increase in development contributions is concerning, it is the entire process for calculating and challenging these fees that is equally alarming. Perceptions of a lack of transparency and accountability is reducing trust in the system.
- 7.3. We are aware that Christchurch City Council is also pushing for a cost recovery on the cost of staff time to calculate development contribution fees. Concerns arise when inconsistencies occur in the calculations and the 'double checking' of fees could result in more charges for Christchurch City Council. Accuracy and transparency are critical to ensure double dipping in charges does not occur.

8. Alternative Funding and Financing

- 8.1. Property Council strongly supports the use of alternative funding and financing tools by local government, such as targeted rates, public-private-partnerships, or Special Purpose Vehicles ("SPVs") as enabled under the Infrastructure Funding and Financing Act. We recommend that Christchurch City Council implement alternative funding and financing tools for infrastructure to reduce cost pressures on new developments.
- 8.2. For example, SPVs are an important tool for funding and financing infrastructure in a fair and equitable manner. SPVs are advantageous as they sit off a Council's balance sheet and do not impact debt levels. Property Council has previously supported Tauranga City Council's use of SPVs for the Transport System Plan and Civic Precinct project, as well Wellington City Council's use of SPVs for the Moa Point sludge minimisation project.
- 8.3. All these additional tools are transparent, beneficiary pays funding models for local government, that are more equitable to ratepayers and better meet the legislative principles of transparency and objectivity for funding local government set out in both the Local Government Act 2002 and Local Governing (Rating) Act 2002.

9. Proposed DC Policy Amendment: Existing demand credits

- 9.1. Christchurch City Council is looking to revise its policy on existing demand credits. Property Council supports **Option B – extending the life of existing demand credits to 15-20 years**.
- 9.2. The expiry of development contributions credits was an issue for the commercial property sector in Christchurch in the last few years.

- 9.3. We note that development is a long-term game and is often subject to unforeseen challenges such as extended resource consent approval timelines (which is common for large commercial developments) and global events like the COVID-19 pandemic. Extending existing demand credits to 15-20 years will provide longer-term certainty for these more complex and timely developments.

10. Proposed DC Policy Amendment: Small Residential unit adjustment and large residential unit adjustment

- 10.1. For small residential units, the current DC policy provides an adjustment for residential developments with gross floor area less than 100m². Christchurch City Council is proposing to set adjustment for one-bedroom residential units only. One-bedroom homes would be assessed at 0.6 HUE. For large residential units, the current DC policy does not make any adjustments for large residential units. Christchurch City Council is proposing to apply a development contributions adjustment for larger houses.
- 10.2. We question what Christchurch City Council's intention is with the proposal to reduce one-bedroom residential units to 0.6 HUE. If the intention of the draft policy is to incentivise one-bedroom residential units, then we would support the proposal to provide what is effectively a remission for a development contribution fee.
- 10.3. However, we note that Property Council has had longstanding concerns over the use of bedrooms as a proxy for infrastructure demand. There is no strong link between the number of bedrooms and occupancy. As such, **we support Option A - retaining the current approach to large residential units over 100m² to be assessed at one HUE.**

11. Proposed DC Policy Amendment: Remission provision

- 11.1. Christchurch City Council is looking to revise its policy on remissions, and in particular, amend the policy to state that no remissions will be provided for in the policy. Property Council does not support this option.
- 11.2. **Property Council supports Option A – retaining the current approach.** Property Council encourages remissions because it helps increase intensification, create more affordable housing, and ultimately leads to better, more sustainable development outcomes for communities. We strongly recommend that Christchurch City Council keeps an open mind on retaining a remission given that they have proved to be effective in encouraging development across the country.
- 11.3. In 2021, as part of Hamilton City Council's wider efforts to transform the CBD a DC remission scheme was introduced. The scheme gave 100% remission on development contributions for buildings six storeys and over and 50% for those under six storeys. As a result of the remissions scheme, Hamilton's CBD is thriving.
- 11.4. We are concerned that the combination of higher development contributions and the inability to apply for a remission will create the 'perfect storm', ultimately driving housing development away from the central city and other key catchment areas. We encourage Christchurch City Council to learn from other council's remission schemes as they can be an effective tool to encourage development and enhance vibrancy of an area.

12. Proposed DC Policy Amendment: Stormwater reductions for developer provided infrastructure

- 12.1. The Christchurch District Plan requires most developments to include on-site stormwater management capacity as a condition of resource consent. Christchurch City Council's approach since around 2006 has been to discount development contributions for stormwater where a development provides mitigation that reduces demand on Christchurch City Council's stormwater network, no matter the scale of the mitigation.
- 12.2. Christchurch City Council is proposing to only provide reductions for significant on-site mitigation. It provides for a developer to request a special assessment to be done where the demand on Christchurch City Council's infrastructure is less than 50% of the average assumed demand.
- 12.3. **Property Council supports Option C – retain status quo.** This will see the continued provision of discounts for on-site management/mitigation requirements, no matter the scale of the mitigation. Furthermore, such a significant change should be placed on pause until clarity around the new developer levy scheme is put in place.

13. Proposed DC Policy Amendment: Removal of multiunit adjustment for stormwater

- 13.1. Christchurch City Council is looking to remove the multi-unit adjustment for stormwater.
- 13.2. Property Council supports **Option B – retain multiunit adjustment for stormwater.** Retaining the status quo creates a stronger incentive for intensification, particularly through medium-density housing such as townhouses and apartments. These dwelling types make more efficient use of land, offer a smaller scale of living spaces, and can be delivered to the market at more affordable price points compared to larger standalone homes. This approach also aligns more closely with the objectives of the National Policy Statement on Urban Development (NPS-UD).

14. Conclusion

- 14.1. Property Council recommends Christchurch City Council pause its DC policy review. This can be achieved by requesting an extension to the three-year timeframe established in legislation. A pause is the sensible thing to do, reducing council resources in the interim and creating certainty of status quo for developers before the overhaul of development contribution fees occur. A comprehensive review of the Draft DC policy should occur under the new development levy regime.
- 14.2. Property Council members invest, own, and develop property in the Canterbury region. We wish to thank Christchurch City Council for the opportunity to submit on the draft Development Contributions Policy 2025 as this gives our members a chance to have their say in the future of our region. We also wish to be heard in support of our submission.
- 14.3. Any further enquires do not hesitate to contact Sandamali Ambepitiya, Senior Advocacy Advisor, via email: sandamali@propertynz.co.nz or cell: 0210459871.

Yours Sincerely,



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