

Property Council New Zealand

Submission on the Regulatory Systems (Internal Affairs) Amendment Bill

24 September 2025

| |
|---|
| For more information and further queries, please contact |
| Bella Leddy bella@propertynz.co.nz 0297786114 |

24 September 2025
Committee Secretariat
Governance and Administration Committee
Parliament Buildings, Wellington
Via Email: ga.legislation@parliament.govt.nz

Submission on the Regulatory Systems (Internal Affairs) Amendment Bill

1. Summary

- 1.1. Property Council New Zealand (“Property Council”) welcomes the opportunity to submit a response to the Governance and Administration Committee (“the Committee”) on the [Regulatory Systems \(Internal Affairs\) Amendment Bill](#) (“the Bill”).
- 1.2. Property Council does not support the amendments proposed under Part 7 of the Bill relating to the Fire and Emergency New Zealand Act 2017.

2. Recommendations

- 2.1 At a high level, Property Council recommends that the Commission:
 - Introduces robust accountability and transparency measures for how FENZ levies are apportioned;
 - Consider shifting towards a beneficiary-pays model; and
 - Failing the first two recommendations, continues with the current approach for apportioning levies for mixed-use commercial buildings.

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. 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. We advocate for regulatory and tax settings that are both fit for purpose and fundamentally equitable.
- 3.3. We connect over 10,000 property professionals and represent the interests of over 550 members organisations across the commercial, industrial, retail, and residential sectors. Our members are from the private, public, and charitable sectors.
- 3.4. This document provides Property Council’s feedback on the [Regulatory Systems \(Internal Affairs\) Amendment Bill](#) and recommendations are provided on Part 7 of the Bill as these sections are relevant to Property Council’s members.

4. Issues on FENZ funding regime

- 4.1. Property Council acknowledges the critical role of Fire and Emergency New Zealand (FENZ) in delivering a national fire service that protects people, property, and the wider community. FENZ provides essential services that not only directly safeguard property owners but also deliver

significant public benefits, including responding to emergencies, natural disasters, and other urgent community needs.

- 4.2. The Fire and Emergency New Zealand Act 2017 establishes FENZ's operating principles, including a clear mandate for transparent decision-making and evidence-based service delivery. Despite this statutory direction, the current insurance-based levy framework lacks both transparency and fairness.
- 4.3. Decisions around levy apportionment remain opaque, with insufficient visibility over how revenue aligns with actual service demand. The result is a system where contributors cannot trace how their payments correspond to the services provided, creating a disconnect between the Act's operating principles and its practical implementation.
- 4.4. Property Council has long advocated for a funding regime that is transparent, equitable, and grounded in a beneficiary-pays model. [In past submissions](#), we have highlighted systemic inequities, including the fact that commercial property owners often cross-subsidise activities from which they derive little or no direct benefit, such as vegetation fire suppression and medical responses.
- 4.5. These inequities are exacerbated by the absence of any meaningful cap on commercial contributions, despite recommendations that such a mechanism would bring levy settings into closer alignment with actual service usage.
- 4.6. Non-residential (commercial/industrial) property currently contributes to approximately 60 percent of total FENZ levy revenue. This is disproportionate to the actual usage of FENZ services by non-residential assets as many commercial buildings are equipped with advanced fire protection systems, on-site wardens, and self-contained suppression equipment, reducing both the likelihood and severity of fire incidents. Airports are a prime example of this, along with significant industrial sites. Property Council is of the view that in these circumstances, a discounted levy that is assessed on a site-by-site basis is appropriate to prevent inequitable outcomes.
- 4.7. The inequities of the levy regime are compounded by broader cost pressures facing the commercial property sector. Non-residential property owners are grappling with escalating local government rates, increasing development contributions, rising insurance premiums, and heightened building material and labour costs. Against the backdrop of a slowing economy and declining business confidence, additional levy burdens risk further constraining investment in New Zealand's built environment.

5. The proposed changes under the Bill

- 5.1 The Regulatory Systems (Internal Affairs) Amendment Bill introduces substantive changes to how mixed-use properties are treated under the Fire and Emergency New Zealand (Levy) Regulations 2024. Specifically, clause 87 of the Bill amends regulation 3 to redefine "mixed-use property" and clause 90 amends regulation 13 to establish a formula for calculating the "residential percentage" of such properties.
- 5.2 Under the new test, the percentage of a property that is residential is determined by dividing the value of the residential component by the total property value. If this ratio is 50 percent or

more, the property is classified as residential and the residential caps apply. If it is less than 50 percent, the entire property is deemed commercial, with no apportionment and no access to the residential caps.

- 5.3 This represents a significant departure from the current 2024 regulations, which allow apportionment of insured value between the residential and commercial portions. Currently, the residential portion of a mixed-use property can be assessed against the residential levy cap of \$107.40 per dwelling, with the commercial portion levied separately at the non-residential rate. The new regime removes this flexibility, meaning that a property with even a substantial residential component (e.g., 40 percent residential, 60 percent commercial) will be levied entirely as commercial as it falls below the 50 percent residential threshold.
- 5.4 The practical effect of this change is to significantly increase levy liabilities for mixed-use assets. For example, consider a \$300 million shopping centre that includes 100 apartments valued at \$100 million (33% percent residential / 66% percent commercial). Under the current rules, the residential portion would be capped at \$10,740 ($\107.40×100 dwellings), while the commercial portion would attract \$155,200 in levies. The total levy would be \$165,940. Under the proposed formula, however, the residential share (33% percent) falls below the 50 percent threshold, meaning the entire \$300 million property is treated as commercial. The levy rises to \$232,800 with a \$66,860 increase.
- 5.5 This outcome is neither transparent nor equitable. The additional \$66,860 extracted from this property is not tied to any identifiable increase in service usage by FENZ, nor is it clear where this incremental revenue will be allocated. At present, non-residential contributors already subsidise a range of public-good activities, with limited visibility of the costs and beneficiaries involved.
- 5.6 This lack of transparency undermines confidence in the levy system. The disconnect between levy burden and service provision is the concern we have raised consistently. Commercial property owners are expected to shoulder ever-greater costs, yet the system provides no transparent framework for demonstrating proportionality or accountability.

Future impacts on development

- 5.7 This policy is also likely to have adverse effects on future development opportunities. The proposed levy changes will disincentivise mixed-use development, as creating purely commercial or purely residential projects will result in a more favourable levy outcome. This policy makes it financially less attractive to include apartments or caretaker flats above retail or office space, despite communities benefitting from such integration.
- 5.8 The wider effect of this policy is that it risks shaping the built environment in a way that runs counter to good urban design principles. Mixed-use developments are critical to creating vibrant, safe and thriving communities where people can live, work and socialise in the same area. By penalising developments that integrate residential with commercial space, this proposed levy framework could inadvertently discourage density, undermine local amenities, and limit housing supply in key urban centres.

6 Recommendations

- 6.1 Property Council recommends that the Government require FENZ to introduce robust accountability measures, including mandatory reporting of emergency response costs and beneficiary data. This reporting should be conducted by an independent third party, with annual publication of service usage by category (e.g., medical responses, vegetation fires, residential callouts, non-residential callouts). Without this information, levy increases or changes to apportionment rules cannot be justified or evaluated fairly.
- 6.2 Property Council reiterates its longstanding advocacy for a funding regime that aligns contributions more closely with the actual beneficiaries of FENZ services. We recommend moving towards a fairer distribution of costs across all beneficiary groups, including:
- significantly increased Crown contribution to reflect the public-good nature of a large proportion of FENZ's work;
 - ensuring that self-insured public institutions contribute equitably through levies or equivalent public-good payments; and
 - introducing targeted user charges where feasible (e.g., for non-fire emergency services such as medical responses).
- 6.3 If reform of the levy regime is not immediately achievable, Property Council strongly advocates that the current apportionment rules for mixed-use properties remain in place. These rules allow the residential portion of a property to be charged under the residential cap while the commercial portion is charged at the non-residential rate. Although imperfect, the status quo at least recognises the mixed nature of these assets and prevents the excessive penalisation of developments that incorporate a residential component.

7 Conclusion

- 7.1 Property Council members invest, own, and develop property across New Zealand. We wish to thank the Governance and Administration Select Committee for the opportunity to provide feedback on the Regulatory Systems (Internal Affairs) Amendment Bill. **We wish to speak to our submission.**
- 7.2 We do not support the reform proposed under part 7 of the Bill to change how FENZ levies are calculated for mixed-use commercial buildings.
- 7.3 For any further enquiries, please do not hesitate to contact Bella Leddy, Junior Advocacy Advisor, via email bella@propertynz.co.nz or phone 0297786114.

Yours Sincerely,

Leonie Freeman
Head Of Advocacy at Property Council New Zealand