

Property Council New Zealand

Submission on 'Supporting Growth through a Development Levies System' consultation document

20 February 2026

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Submission on Supporting Growth through a Development Levies System consultation document.

1. Summary

- 1.1. Property Council New Zealand (“Property Council”) welcomes the opportunity to provide feedback on the Supporting Growth through a Development Levies System consultation (“the consultation”) which discusses the Local Government (Infrastructure Funding) Amendment Bill (“the draft Bill”), not yet introduced to Parliament.
- 1.2. Property Council supports the intent of the draft Bill to reform the existing development contributions system. New Zealand faces a longstanding infrastructure funding deficit driven by population growth, historic underinvestment in renewal and maintenance, and an over-reliance on local authority balance sheets. From a property sector perspective, the current development contributions regime has become increasingly opaque, unpredictable, and difficult to apply consistently, undermining development feasibility and impacting housing affordability.
- 1.3. The proposed development levy framework represents a significant opportunity to strengthen transparency, accountability, and discipline in local government infrastructure funding and planning. However, Property Council has reservations about elements of the scheme as currently designed. In particular, aspects of the levy methodology, underlying principles, and proposed implementation settings risk entrenching or exacerbating many of the same issues experienced under the existing development contributions regime, including cost inflation, uncertainty for developers, and weakened price signals, unless addressed through clearer parameters and safeguards. For these reasons, we request a second round of consultation before the Bill is introduced to Parliament.

2. Recommendations

- 2.1 At a high level, Property Council recommends:
 - Our full list of recommendations is provided in Appendix 1. Our recommendations will be lettered A-Z throughout the submission to align with this appendix.

3. Introduction to Property Council New Zealand

- 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. We aim to unlock opportunities for growth, urban development, and productivity to improve New Zealand’s prosperity.

- 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 both the [Local Government \(Infrastructure Funding\) Amendment Bill](#) and the [Supporting Growth Through a Development Levies System consultation](#) document. Comments and recommendations are provided on issues relevant to Property Council's members.

4. New Zealand's Property Industry

- 4.1. Property Council's Property Industry Impact Report 2024 highlights the economic benefits that property contributes to the New Zealand economy. For example:
 - Property provides a direct contribution to GDP of \$50.2 billion (15 percent), an indirect economic impact of \$48.7 billion and an induced economic impact of \$43.7 billion to GDP;
 - Property is New Zealand's largest industry with nearly \$2.2 trillion in property assets nationwide;
 - Property is New Zealand's fastest growing source of employment, supporting jobs for around 235,030 New Zealanders every year; and
 - New Zealanders are unconscious property investors, with \$3.6 billion invested into property via KiwiSaver schemes.
- 4.2. Investment in property makes a positive return. For every \$1 contribution by the property industry to national GDP, there is a resulting additional \$1.80 of flow-on economic impacts. Property Council wants a development levy scheme that continues positive property growth and investment in New Zealand.

5. General Comment

- 5.1. Property Council supports and welcomes the Government's intent to reform the current development contribution system as this has long-standing issues for our members. The existing regime has become increasingly difficult to scrutinise, subject to sudden and unpredictable price changes, and lacking in cost certainty over time. We congratulate the willingness of the Government to address this.
- 5.2. However, the shift towards aggregated growth costs risks exacerbating the lack of transparency and accountability for levy costs and infrastructure delivery. This submission focuses on strengthening transparency and accountability to ensure the framework is workable, credible and still supports property growth.
- 5.3. Property Council also notes that uncertainty under the current regime has been driven by the inherent difficulty of long-term growth forecasting and infrastructure sequencing. The proposed reforms present an opportunity to improve the quality and discipline of local government planning and spending, strengthening alignment between growth and delivery, and providing clearer price signals to the market. On that basis, we note our concern that the scheme in its current suggested form seems to lack significant detail and road-testing with impacted parties.

- 5.4. Recommendation A: We strongly recommend implementation timeframes are delayed, and a second round of targeted consultation is completed before the legislation is introduced to Parliament as a Bill. This will be discussed further in the body of our submission under section 17.

6. Underlying policy assumptions

- 6.1. Property Council is concerned about the economic assumption underpinning the consultation material, that, increased development levies will be absorbed by land values rather than passed on to development feasibility or end prices.¹
- 6.2. This assumption does not hold in New Zealand's constrained housing market. Even where levy settings are signalled in advance, land prices do not reliably adjust downward due to limited serviced land supply, planning constraints, and seller price anchoring. In these conditions, higher levies either erode development feasibility or are reflected in higher end prices for the homeowner, rather than being absorbed by land values. Developers do not price projects based on economic theory but on feasibility and financing constraints. Across Property Council's 550+ members, it is widely agreed that when development contributions/levies materially increase costs, projects are delayed, shelved, or repriced.
- 6.3. The studies relied on by the government largely assume long-run equilibrium conditions, which overlook real-world transition effects. We reference the Australian report 'Developer Contributions – How should we pay for new local infrastructure,' produced by the 2021 liberal Australian Government, in collaboration with Housing Australia which explicitly concludes development contributions "increasingly act like a tax on new housing, which can impede new housing supply and reduce housing affordability for buyers and renters." They state this outcome is exacerbated in levy systems which aggregate costs and have a weak causal nexus between infrastructure and housing provision.²
- 6.4. While infrastructure funding reform is necessary, reliance on developer contributions alone is neither sufficient nor sustainable.
- 6.5. Recommendation B: We recommend the Government commission a new independent report that investigates our claim from the lens of property experts.
- 6.6. Recommendation C: We recommend the Government reassess the proposed levy scheme with risk modelling of levy costs being absorbed into house prices and/or development feasibility.

7. Purpose and principles

- 7.1. Property Council supports the draft Bill's new purpose which affirms the key principle 'growth pays for growth,' however we do hold some concerns over the supporting principles, under new section 211B.

¹ This is discussed explicitly in the supplementary DIA report titled 'Supplementary Analysis Report: Improving Local Government Infrastructure Funding Settings,' at page 11.

² 'Developer Contributions – [How should we pay for new local infrastructure?](https://www.housingaustralia.gov.au/research-data-analytics/developer-contributions-how-should-we-pay-new-local-infrastructure)' Australia Federal Government and Housing Australia (formerly, National Housing Finance and Investment Corporation), 2021. See pp 3-8. <https://www.housingaustralia.gov.au/research-data-analytics/developer-contributions-how-should-we-pay-new-local-infrastructure>

Principle of sufficiency

- 7.2. Property Council is concerned that allowing cost recovery “over the long term” introduces unnecessary financial complexity and reduces transparency. This is discussed further in the submission at point 10.4.
- 7.3. Recommendation D: We recommend removing references to time from the principle of sufficiency.

Principle of proportionality

- 7.4. Property Council is concerned that the principle of proportionality may be improperly interpreted as the wording “additional growth capacity” has a wide scope. It allows for nominal or incidental capacity increases to be treated as growth-enabling.
- 7.5. Recommendation E: We recommend clarifying that only expenditure *demonstrably* required to deliver additional growth capacity may be allocated to growth.

Principle of particularity

- 7.6. With the weakening of causal nexus, the principle of particularity acts as an important accountability measure against levy drift. Whilst we understand the scheme is fundamentally shifting the nexus, charges should still be justified on deliverable infrastructure in the first instance.
- 7.7. Recommendation F: We recommend that the principle of particularity is amended to include a new (iii):

New section 2211B(d): Development levy revenue must be used—

- (i)** for the growth costs in the leviable service for which the levy was imposed; and
- (ii)** for the benefit of the levy area in which the levied development is being undertaken; and
- (iii)** *where reasonably practicable, for growth-related capital expenditure that is directly attributable to an identified infrastructure project or programme as set out in the territorial authority’s infrastructure strategy or long-term plan as required to service the projected growth giving rise to the levy.*

Principle of transparency

- 7.8. We support the principle of transparency underpinning the development levy scheme as this is something our members struggle with under the current development contribution scheme.
- 7.9. In its current drafting, the transparency principle risks becoming procedural rather than substantive. Under an aggregated model, transparency is critical as developers lose visibility over who is paying for what.
- 7.10. Recommendation G: We recommend that this principle is made less procedural, with the following wording:

New Section 211B(e): “Territorial authorities must ensure that development levy setting and use is transparent, with sufficient information disclosed to enable understanding, scrutiny, and accountability of levy policies.”

8. Development levies policy

- 8.1. Property Council is concerned that proposed new section 110A of the draft Bill is heavily focused on the pricing and calculation of development levies but gives insufficient attention to what infrastructure is being funded, when it will be delivered, and how outcomes will be monitored.
- 8.2. A development levies policy that functions primarily as a cost-setting instrument risks disconnecting levy collection from infrastructure delivery. Developers make investment decisions based on infrastructure certainty and delivery sequencing, not just headline charges. While infrastructure strategies provide important long-term context, they operate at a strategic level and do not offer sufficient transparency or accountability over how development levy revenue is applied in practice.
- 8.3. Recommendation H: Property Council recommends that development levies policies be strengthened to complement the information disclosure scheme by requiring publication of a levy-funded infrastructure programme, including indicative delivery sequencing and regular reporting on levy collection and infrastructure delivery outcomes, since the previous three-year levy policy.

Resource management alignment

- 8.4. Under the draft Bill new section 110A(1)(a)(iii), territorial authorities must prepare a development levy policy that describes the authority’s “land-use plans and strategies required by legislation.” This section should have clear alignment with the upcoming resource management reform terminology.
- 8.5. Recommendation I: We recommend that new section 110A(1)(a) explicitly reference spatial plans, relevant environment plan chapters, and any regional reorganisation or growth plans relevant to the Planning and Natural Environment Bills 2025.

Nationwide consistency

- 8.6. Property Council supports the consultation’s objective of improving transparency and comparability through standardisation regulations for policies. Nationwide consistency of policies is needed to address the high degree of variability in how development levies policies are structured, presented, and interpreted across councils. Our members report that inconsistent development contribution policies have materially increased compliance costs and reduced investment certainty.
- 8.7. Recommendation J: Property Council recommends standardised templates are developed for levy policies.

Policy has immediate legal effect

- 8.8. We strongly oppose development levies policy coming into immediate legal effect upon notification. While we acknowledge the policy intent of preventing consent applications being

accelerated to “lock in” lower levy rates, this concern does not reflect how development occurs in practice.

- 8.9. In practice, developments cannot be materially accelerated in response to levy changes. Immediate legal effect creates significant uncertainty for projects already in feasibility, design, or pre-application stages, exposing them to sudden cost increases that cannot reasonably be mitigated. This undermines investor confidence and disrupts development pipelines, working against housing supply and growth objectives.
- 8.10. For example, in today’s market, for larger scale projects, developers often need to pre-lease or commit to a certain number of presales to receive funding. Cashflow is then significantly challenged when development levy prices are changed without notice. We also note that immediate legal effect negates clear price signalling and the assumption that levy costs can be readily absorbed into land values.
- 8.11. Recommendation K: Property Council recommends that development levies policies include a reasonable notice period, consistent with the current development contributions framework.

9. Levy areas, aggregated growth costs and high-cost overlays

- 9.1. Property Council opposes the weakening of the requirement to maintain a causal nexus between development and infrastructure provision. While the current development contributions framework does not guarantee infrastructure delivery, the causal nexus provides an essential discipline that links charging to growth-enabling infrastructure and constrains how costs are allocated.
- 9.2. Developers require reasonable assurance that levies are directed toward infrastructure necessary to enable their development and delivered within an appropriate timeframe. Shifting the causal nexus across an urban centre increases the risk that levies are pooled and applied elsewhere within a levy area, weakening the connection between payment, infrastructure delivery, and development outcomes.
- 9.3. This risk is particularly serious for staged developments. Large-scale housing providers rely on the progressive delivery of roads, three waters, and transport infrastructure to unlock later stages. Without a clear linkage between levy charges and enabling infrastructure, developers face increased uncertainty as to where and when critical assets will be delivered, directly affecting feasibility and sequencing decisions.
- 9.4. Beyond feasibility impacts, weakening the causal nexus reduces transparency and accountability. It becomes more difficult to test whether infrastructure is genuinely growth-enabling, whether costs are proportionate, or whether funding is being directed toward essential assets rather than discretionary upgrades. This risks entrenching many of the weaknesses experienced under the current development contributions regime, rather than addressing them.

A causal nexus based on the Australian Victoria model

- 9.5. Victoria’s infrastructure funding framework retains a practical causal nexus through Infrastructure Contributions Plans, which require levy-funded infrastructure to be clearly identified, costed (itemised cost schedules), and justified as necessary to support planned

growth. While contributions are aggregated, councils must publicly exhibit the infrastructure to be delivered, with independent oversight for any rescheduled infrastructure asset delivery.

- 9.6. This approach gives developers confidence that contributions paid will fund infrastructure that directly enables development. It reinforces the user-pays principle, prevents scope creep into discretionary projects, and strengthens accountability for delivery, supporting feasibility, investment certainty, and housing supply.
- 9.7. Recommendation L: Property Council recommends New Zealand strengthen the weaker area-wide causal nexus by requiring development levies policies to include a publicly exhibited list of growth-enabling infrastructure, supported by indicative delivery sequencing and reporting. Levies could still be aggregated across levy zones, while restoring transparency, accountability, and confidence in infrastructure delivery.

Levy area size and cross-subsidisation

- 9.8. The removal of a causal nexus, combined with an expectation that councils identify a single levy area for their urban centre (and justify any additional levy areas), will materially increase cross-subsidisation. Developments with fundamentally different infrastructure cost profiles will be treated as imposing similar demands, weakening the user-pays principle and undermining equity.
- 9.9. This issue is most acute for brownfield and infill development. These developments typically rely on existing infrastructure and require only marginal upgrades, yet under large aggregated levy areas, they would be required to contribute to the substantial costs of new infrastructure for distant greenfield growth. This misallocates costs, disincentivises intensification, and works against efficient land-use objectives. It runs counter-intuitive to the Government's Going for Housing Growth initiative and plan changes that have operationalised this intensification agenda, such as Auckland's Plan Change 120.
- 9.10. Tauranga City Council's 2025/26 Development Contributions policy illustrates the scale of cross-subsidisation here. Under the current framework, infill development attracts contributions of approximately \$4,569 per lot, compared with \$37,735 per lot in the West Bethlehem greenfield area. Aggregating these costs into a single levy area would require infill development to subsidise infrastructure that primarily services high-cost greenfield expansion.
- 9.11. While the proposed scheme introduces high-cost area overlays, these do not provide a clean separation of costs. A base levy continues to apply across the entire levy area, meaning greenfield infrastructure costs cannot be fully isolated without rendering the base levy insufficient to fund area-wide programmes. As a result, overlays function as a top-up rather than a genuinely cost-reflective mechanism. All development within the levy area continues to subsidise high-cost growth through the base levy, even where those developments do not benefit. This outcome is inequitable, inefficient, and lacks transparency. There is also no guarantee that councils will apply targeted overlays consistently and frequently.
- 9.12. Recommendation M: Property Council recommends smaller, infrastructure-aligned levy areas to reduce cross-subsidisation, better reflect cost causation, and support brownfield intensification and housing supply.

High-cost overlays

- 9.13. Property Council is concerned that high-cost area overlays introduce significant price volatility and weak price signalling, particularly where development levies policies take immediate legal effect.
- 9.14. This reflects a persistent limitation in councils' ability to accurately predict the location, timing, and scale of growth. Development patterns respond to market demand, financing conditions, and land availability, which cannot be fully anticipated through strategic planning alone. The experience in Drury, Auckland illustrates this risk: in March 2023, development contributions increased by approximately 268 per cent, from \$22,564 to \$83,251 per lot, following revised infrastructure assumptions.
- 9.15. Rather than addressing this underlying planning issue, the high-cost overlay mechanism risks entrenching the same uncertainty and feasibility shocks experienced under the current development contributions system.
- 9.16. Improving certainty requires stronger forward price signalling and better alignment between infrastructure planning and real development demand. Development levies and high-cost overlays should therefore be subject to clear transition periods and advance signalling. We would like to re-iterate the importance of our recommendation at point 8.11 in our submission, to address this concern.³
- 9.17. The scheme should also place greater emphasis on the quality and accountability of infrastructure planning. Drawing on Victoria's Infrastructure Contributions Plan model, this should include:
- stronger integration between development levies policies, spatial plans, and infrastructure strategies;
 - public exhibition of infrastructure project lists, delivery timeframes and cost assumptions;
 - growth triggers to indicate when infrastructure assets need to be built/upgraded; and
 - independent oversight to test necessity, sequencing, and alignment with expected development uptake.
- 9.18. These measures would help reduce the likelihood of sudden cost escalations, improve confidence in levy settings, and ensure infrastructure planning better keeps pace with actual growth. We re-iterate our recommendation at points 9.5-9.7 of our submission.⁴
- 10. Levy calculation methodology**
- 10.1. Property Council is concerned that the levy calculation methodology requires tighter parameters. When growth costs are aggregated, any errors in assumptions or calculations will affect all developments across the levy area. This requires strong safeguards.

³ Recommendation K: Development levies policies include a reasonable notice period, consistent with the current development contributions framework.

⁴ Recommendation L: Property Council recommends New Zealand retain a form of causal nexus by modelling Victoria, Australia's model.

- 10.2. The consultation proposes a three-step methodology for calculating levy rates by service. First, councils identify capital projects required to provide growth capacity and calculate:
- Total added capacity (total capacity minus existing capacity);
 - The portion of that added capacity attributed to growth (as opposed to fixing an existing shortfall); and
 - Apply that growth percentage to total project costs (including financing costs).
 - This produces the project's growth cost.

10.3. Growth costs across all eligible projects are then aggregated at the levy-area level and divided by the expected number of growth units to determine the base levy.

Funding and financing in 10-year increments

- 10.4. Property Council opposes the requirement to link levy calculations to growth expected over medium- to long-term horizons. Estimating capital expenditure over 30 years involves materially greater uncertainty than the 10-year horizon of a council's Long-Term Plan.
- 10.5. Development levies will be driven by long-term projections of population growth and infrastructure costs, which are inherently difficult to predict. Forecasting inflation, interest rates, construction costs, delivery risks, and infrastructure demand with accuracy over a 30-year period is highly challenging.
- 10.6. This uncertainty is illustrated by recent experience in Christchurch, where development contributions for Christchurch Central Catchment increased by 263 percent in 2025, from \$8,126.76 to \$29,562.70. This demonstrates that even over short timeframes, forecasts and cost estimates can change materially, raising concerns about the reliability of assumptions underpinning 30-year levy models.
- 10.7. Long-term funding forecasts also add unnecessary complexity. Given frequent revisions to growth assumptions and infrastructure programmes, there is a heightened risk of levy over-collection, creating practical and administrative challenges in identifying and refunding excess charges many years later.
- 10.8. Extended funding horizons also raise equity concerns. Developers, and ultimately homebuyers, are required to pay upfront for infrastructure that may not be delivered for decades, may change in scope, or may never be used by those who funded it, such as a new public pool that may not be used if homeowners move house before it is built (say in year 29 of the 30 year plan).
- 10.9. Recommendation N: Property Council strongly recommends a 30-year strategic vision for spatial plans, coupled with funding and financing allocated in 10-year increments that can be re-forecasted over time.
- 10.10. Recommendation O: If long-term levy setting is retained, Property Council recommends that Government assess the historical accuracy of local government long-term planning assumptions, including delivery outcomes for projects forecast in outer years of previous plans, to inform appropriate limits on levy forecast horizons.

Reconciliation of levy revenue with actual growth patterns and infrastructure deployment.

10.11. While councils are expected to follow growth as it occurs, the proposed methodology allows growth costs to be recovered without any requirement to reconcile levy revenue with actual growth patterns or infrastructure delivery as it occurs.

10.12. This creates asymmetric risk, allowing levy revenue to be collected regardless of whether growth occurs as anticipated. In the absence of reconciliation requirements, infrastructure delivery may be deferred, re-scoped, or redirected without accountability, weakening the user-pays principle and increasing development risk.

10.13. Recommendation P: Property Council recommends mandatory, periodic reconciliation of levy revenue, realised growth, and infrastructure delivery at the levy-area level, with defined thresholds triggering recalibration or corrective action where material divergence occurs. Clear rules should require levy adjustments, reallocation to equivalent growth-enabling infrastructure, or refunds where material surpluses or delivery shortfalls arise, monitored by the independent regulator.

Regulated definition of “eligible infrastructure”

10.14. The methodology provides councils with broad discretion to determine eligible infrastructure. Without tighter definitions, there is a risk that levies fund assets not essential to enabling growth, including level-of-service upgrades or amenity projects. This inflates growth costs, undermines the user-pays principle, and weakens confidence that levies are being applied efficiently and for their intended purpose.

10.15. Recommendation Q: Property Council recommends that development levies be strictly limited to infrastructure demonstrably required to enable growth, supported by defined growth triggers linked to measurable demand thresholds such as dwelling numbers, population growth, or network capacity utilisation in the surrounding area of the infrastructure asset.

Treatment of financing costs

10.16. The methodology allows financing costs to be included in growth cost calculations, which can significantly inflate levies over long horizons. Without limits or transparency, developers may be required to fund financing costs driven by early delivery decisions or inefficient debt management. Administrative and policy costs risk being embedded without scrutiny. This weakens cost discipline and accountability.

10.17. Recommendation R: We recommend financing costs are tightly regulated, transparently disclosed and periodically reviewed. Where appropriate, a standardised band or methodology for financing costs, in line with Local Government NZ rates, would provide national consistency.

10.18. Recommendation S: We recommend that financing costs should only be recoverable once infrastructure is committed and triggered, not speculative.

Contingency allowances in development levy calculations

10.19. Property Council is concerned that the proposed levy methodology allows councils to apply discretionary contingencies to infrastructure cost estimates, without any standardisation or

transparency. Current practice allows materially different contingency assumptions between councils.

10.20. Discretionary contingencies can significantly inflate aggregate growth costs, making levies less predictable and reducing development feasibility. Without limits or standardisation, early-stage development may be overcharged for risk that is not specific to the project, weakening confidence in levy calculations and the user-pays principle.

10.21. Recommendation T: Property Council recommends that regulations prescribe a standardised contingency rate for inclusion in development levy calculations, with clear disclosure requirements. Any departure from the standard rate should require evidence-based justification and independent review. Property Council would like to see this regulated by the regulator.

Net present value

10.22. The proposed levy methodology allows future infrastructure costs to be escalated without requiring corresponding Net Present Value (“NPV”) discounting. This risks early development cohorts being charged inflated future costs for infrastructure that may not be delivered for decades, undermining intergenerational equity and economic neutrality.

10.23. Recommendation U: Property Council recommends that levy calculations be required to apply mandatory NPV discounting to all future infrastructure costs, using a nationally consistent discount rate, with escalation and discounting assumptions transparently disclosed. This would ensure development levies reflect the time value of money and improve fairness, transparency, and confidence in levy settings.

Indexation of development levies

10.24. New section 211W of the draft Bill allows development levies to be indexed annually, with adjustments linked to construction price indices. Property Council is concerned that this introduces an additional cost escalation mechanism on top of contingencies and financing costs already embedded within levy calculations. The combined effect risks duplicating inflationary allowances without sufficient discipline or transparency.

10.25. Indexation is a blunt tool that misallocates risk. Inflation risk is already addressed through contingencies, financing costs, and periodic levy recalculations. Automatic indexation shifts uncertainty onto developers regardless of whether councils actually incur higher costs or whether infrastructure timing changes. This weakens accountability, reduces scrutiny of underlying cost drivers, and compounds feasibility risk without improving infrastructure delivery outcomes.

10.26. Recommendation V: Property Council recommends that the indexation power in new section 211W be removed. Any cost escalation should be managed through transparent project re-costing at scheduled levy reviews, supported by evidence-based cost updates and mandatory NPV discounting, rather than automatic annual indexation.

Auditing of cost estimates

10.27. Levy calculations rely heavily on long-term cost estimates and untested cost increases can materially inflate growth costs and undermine confidence in levy settings. Requiring

independent audit of material cost escalations would strengthen councils' internal decision-making by ensuring assumptions, contingencies, scope changes, and resilience upgrades are clearly justified and documented.

10.28. Significant cost increases may reflect legitimate factors such as scope refinement, regulatory change, resilience upgrades, or market conditions. However, without independent verification, it is difficult for developers and the wider sector to assess whether increases are proportionate, necessary, or represent changes in asset specification or delivery approach. For example, in Papamoa, Tauranga a wastewater pump station increased from approximately \$13 million in the 2023/2024 Development Contributions Policy to \$39 million in the 2025/2026 policy. In the absence of transparent explanation or assurance, such movements raise legitimate questions about scope, specification, and value for money.

10.29. Recommendation W: Property Council recommends that regulations require independently audited cost estimates for all levy-funded projects where estimated growth costs increase materially between levy reviews (for example, increases exceeding 20 percent). This audit could be undertaken at each three-year development levy policy review and made publicly available, with clear explanation of the drivers of cost change and confirmation that the revised scope is necessary to support growth

Proportional relationship between growth units and costs

10.30. Property Council is concerned that the proposed levy calculation methodology allows aggregate growth costs and expected growth units to be determined independently, without a required causal or proportional relationship between the two. This creates a risk that councils may increase aggregate growth costs without a corresponding and realistic increase in expected growth units or conversely constrain growth assumptions while maintaining high infrastructure cost assumptions. Without a direct relationship between expected costs and expected growth units, levy rates can rise sharply regardless of actual infrastructure need, undermining feasibility, distorting price signals, and reducing accountability.

10.31. Recommendation X: Property Council recommends regulations require a direct causal and proportional relationship between aggregate growth costs and expected growth units.

Independent verification of key assumptions and forecasting models

10.32. Growth cost calculations are highly sensitive to assumptions about capacity, timing, and demand. Allowing councils to self-determine these assumptions without independent review creates a risk of over-allocation to growth. This weakens accountability and reduces confidence in levy settings. Independent scrutiny would improve robustness and reduce disputes.

10.33. Recommendation Y: We recommend that growth cost apportionment and key assumptions are subject to independent review and public accessibility through the proposed information disclosure scheme.

Risk of inconsistency across services

10.34. The levy methodology allows growth costs to be calculated separately by infrastructure service, including by water services entities or council-controlled organisations ("CCOs") that may be empowered to set and collect their own development levies. While the use of a common growth

forecast across services is standard practice under the current development contributions regime, this coordination is not explicitly required under the proposed development levy framework.

- 10.35. This creates a risk that different services apply inconsistent growth assumptions, cost structures, or timing profiles within the same levy area. That risk is heightened by the separation of water services from councils, as water CCOs may operate under different investment drivers, asset standards, and delivery models that do not automatically align with council-led spatial planning or levy assumptions. Without explicit coordination requirements, developers may face levies that reflect misaligned forecasts or cost bases rather than actual cumulative demand.
- 10.36. In addition, the framework does not require a consistent level of cost transparency across services. Where infrastructure projects are proposed by water entities or CCOs, there may be limited visibility over how total project costs are constructed, including the relative contribution of land acquisition, design, consenting, construction, contingencies, and financing. This limits the ability to assess whether costs attributed to growth are reasonable, comparable, and necessary.
- 10.37. Recommendation Z: Property Council recommends that regulations require growth assumptions used for levy calculations to be sourced from a common, council-endorsed growth model (or equivalent), and that any service-specific variation be clearly justified and disclosed.
- 10.38. Recommendation AA: Property Council recommends that councils and CCOs, including water services entities, be required to provide standardised and transparent cost breakdowns for all levy-funded infrastructure projects prior to inclusion in a development levy calculation. The Government should provide standardised templates which could include land, design, consenting, construction, contingency, and financing costs, to ensure consistency, comparability, and accountability across services.

Standardisation of renewal cost allocation

- 10.39. The proposal to standardise how costs are allocated between renewal, level of service, and growth is intended to improve consistency and prevent councils from inappropriately attributing renewal costs to development. Property Council supports this objective in principle. However, without strong accountability mechanisms, standardisation alone risks legitimising cost-shifting where renewal and growth investments intersect.
- 10.40. For example, the suggested regulation “where an asset is 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,” may unintentionally incentivise councils to advance renewal decisions or reframe asset replacement as growth-related. Because councils control both asset timing and cost classification, this creates an asymmetry of risk where developers bear costs without clear evidence that growth demand is the driver.
- 10.41. This risk is particularly acute in rural, slow-growth, or climate-stressed areas, where early replacement may be driven by asset condition, regulatory compliance, or resilience needs rather than development demand. Without a clear requirement to distinguish maintenance, renewal, climate resilience, and growth, there is a high risk that historic under-investment costs are allocated to development, undermining the user-pays principle and confidence in levy settings.

10.42. Recommendation BB: Property Council recommends that where renewal and growth intersect, councils be required to prepare a transparent, project-level business case demonstrating a clear causal nexus between growth demand and the timing, scale, and capacity uplift of the investment. This business case should be supported by asset condition data, growth triggers, and alternative options analysis, and be subject to the information disclosure regime or regulatory oversight.

Standardisation of units of demand

10.43. Property Council supports the objective of improving clarity and consistency in how units of demand are defined and applied for development levies. We note that our members have different feedback on this topic and encourage DIA to continue engagement.

Standardisation of development types

10.44. Property Council supports the objective of providing nationwide consistency to how units of demand are allocated to different types of development through standardising definitions of development types. We note that the build to rent asset class is not included in this list.

11. Assessment, charging and payment of levies

Deferred payment interest

- 11.1. The proposed scheme allows development levies to accrue quarterly compounding interest where payment is deferred, including where levies are assessed at the resource consent stage. Property Council opposes this approach. It materially increases development costs and transfers forecast and timing risk onto individual developments, despite councils operating under acknowledged uncertainty as to the timing and volume of growth.
- 11.2. Quarterly interest applies by default, without any requirement to demonstrate that deferred payment has resulted in additional borrowing or extended financing costs for councils. This weakens the causal link between interest charged and costs incurred, and risks interest functioning as a revenue mechanism rather than a true cost-recovery tool.
- 11.3. Under the development levy framework, levies are collected into a pooled funding base across a levy area, rather than being tied to individual projects. In this context, it is not clear why deferred payment by a single development would, in itself, necessitate additional borrowing or justify the application of interest, particularly where aggregate levy revenue continues to be collected from other developments within the pool.
- 11.4. The policy is also misaligned with development practice. Levies are often assessed well before construction, while projects may be staged, refined, or delayed for legitimate commercial or regulatory reasons. In these circumstances, interest accrues despite infrastructure delivery, sequencing, or demand remaining unchanged.
- 11.5. Quarterly compounding interest adversely affects development feasibility by increasing borrowing requirements and project risk, particularly in a high-interest-rate environment. While the policy appears intended to discourage land banking or strategic delay, there is no evidence these behaviours are widespread. Existing holding costs, financing constraints, and market risk already provide strong incentives for timely delivery.

- 11.6. The impacts are most acute for brownfield and infill development, which typically operate on shorter timeframes, are highly sensitive to borrowing costs, and rely on capital being realised close to project completion. In these cases, interest charges function as a material feasibility constraint rather than a behavioural incentive.
- 11.7. Recommendation CC: Property Council recommends that quarterly interest on deferred development levy payments be removed.
- 11.8. Recommendation DD: If quarterly interest is retained, Property Council recommends that interest should not accrue until development has progressed to code compliance (or an equivalent delivery milestone), when demand on infrastructure capacity is realised and a clearer link to financing costs can be demonstrated. A similar mechanism would need to be considered for subdivisions/staged developments.

Objections to development levies

- 11.9. Property Council welcomes the inclusion of new sections 211ZH–211ZR in the draft bill, which signal that a formal objections process for development levies will be provided. We consider this an important safeguard to ensure confidence, transparency, and fairness in levy assessments.
- 11.10. A well-designed objections process will provide developers with certainty that levy assessments and the underlying methodology, including assumptions on growth, cost allocation, and eligible infrastructure, can be independently reviewed. This strengthens accountability, encourages accurate levy-setting, and reduces the risk of disputes escalating to costly litigation, benefiting both councils and developers.
- 11.11. Recommendation EE: Property Council recommends that the provisions establish a clear, independent mechanism allowing challenges to both individual levy assessments and the underlying calculation methodology. The process should be monitored by the independent regulator, who can identify nationwide patterns, systematic issues and issue precedence/guidance. This is discussed further under point 18 of the submission.

Administrative charges

- 11.12. Property Council questions the use of administrative charges as there are no administrative charges in the current scheme.
- 11.13. Recommendation FF: We recommend that the Government provide specific clarification on the need for administrative charges.
- 11.14. Recommendation GG: We recommend that if administrative charges are implemented, they are tightly ring-fenced and reflective of actual administrative cost.

Levy calculation tool

- 11.15. Property Council would like to see the new development levy framework supported by a clear, upfront mechanism for estimating levy costs prior to formal assessment. Developers are required to make early land acquisition, design and financing decisions well in advance of their formal assessment and a transparent estimation tool may help reduce the risk of mispricing projects, delaying investment or increasing disputes.

11.16. Recommendation HH: We recommend councils be required to publish and maintain a publicly accessible development levy calculation tool on their websites, enabling developers to generate indicative levy estimates.

Assessments are subject to reassessment

11.17. The proposed framework allows councils and water entities to reassess unpaid development levies over time, including after levy settings have informed investment decisions. This introduces material uncertainty by enabling levy costs to change after projects are committed.

11.18. Where infrastructure charges are subject to revision, developers and their funders are required to price in additional risk through higher contingencies and return thresholds. The result is fewer projects meeting investment thresholds, delayed delivery, and higher costs ultimately passed through to end users, directly undermining housing supply and affordability outcomes.

11.19. Recommendation II: Property Council recommends that levy liability be fixed at a clearly defined consent stage, with reassessment permitted only in narrowly defined, objective circumstances and never applied retrospectively to committed development.

12. Development agreements and bespoke levy assessments

12.1. Property Council broadly supports bespoke levy assessments and developer agreements, as they provide flexibility outside council's planned growth arrangements and help avoid infrastructure bottlenecks that could constrain development pipelines. However, under the existing framework in sections 207A–207F of the Local Government Act 2002, development agreements are discretionary and inconsistently applied across the country. The consultation does not address these structural issues, nor does it define when bespoke levy assessments may be requested or the criteria that should apply.

Process transparency and timeliness

12.2. There is no guidance in the draft Bill on procedural requirements, timeframes of assessment, or evidentiary standards for bespoke assessments. Without these, the process may be slow, opaque, and difficult for developers to navigate.

12.3. Delays or unclear processes reduce development feasibility, increase financial risk, and create uncertainty in project planning. Lack of transparency also diminishes confidence in levy administration and may lead to disputes or reputational issues for councils.

12.4. Recommendation JJ: Property Council recommends that regulations specify procedural requirements for bespoke assessments, including clear timeframes, evidence requirements, and reporting obligations. Outcomes should be publicly disclosed to ensure transparency and predictability for all stakeholders.

Making developer agreements more permissive

12.5. Under the current legislative framework, councils retain broad discretion to accept or decline developer agreements without reference to prescribed criteria, timeframes, or decision-making principles. This creates a strong institutional default toward standardised charging approaches and discourages bespoke or developer-led infrastructure solutions, even where these could be delivered more efficiently or ahead of council programmes.

- 12.6. As the development levy scheme moves toward aggregated growth costs and pooled funding, developer agreements become a critical mechanism for enabling large-scale, first-mover, or infrastructure-led developments. Without a more permissive and structured approach, the scheme risks entrenching rigidity, underutilising private sector capability, and slowing development in areas where infrastructure delivery is the primary constraint. International experience, particularly under the United Kingdom’s section 106⁵ framework, demonstrates that requiring councils to actively engage with and assess developer-led infrastructure proposals improves flexibility, transparency, and growth outcomes.
- 12.7. Recommendation KK: Property Council recommends that the development levy framework strengthen the role of developer agreements by modelling key features of the UK section 106 approach. This should include a requirement for councils to actively consider developer-led infrastructure proposals, apply defined assessment criteria, operate within set timeframes, and provide clear, evidence-based reasons where proposals are declined.

Planning gain

- 12.8. The proposed development levy framework provides limited mechanisms to recognise or credit developers who directly deliver growth-enabling infrastructure through development agreements. This risks under-utilising private sector capability and discouraging early or in-kind infrastructure delivery that could otherwise accelerate development and reduce public funding pressures.
- 12.9. In comparable jurisdictions, notably the United Kingdom, development agreements are used to capture “planning gain”, whereby developers deliver or fund infrastructure in exchange for development rights or increased development capacity. Planning gain incentives proactive infrastructure provision and improves flexibility for development in areas where infrastructure constraints are the primary barrier to growth.
- 12.10. Recommendation LL: Property Council recommends that the development agreements framework explicitly provide for planning-gain-style mechanisms.

Delivering infrastructure that does not require public integration

- 12.11. The proposed development levy framework and first-mover provisions do not clearly address situations where developers deliver infrastructure that does not integrate with, or place demand on, public networks. This includes decentralised or self-contained infrastructure solutions, such as on-site membrane bioreactor (MBR) technology for wastewater systems, private stormwater treatment, or other off-grid servicing arrangements.
- 12.12. The development levy scheme is intended to operate on a user-pays basis to reflect the actual demand a development places on public infrastructure. Where developers invest in alternative infrastructure that avoids or materially reduces reliance on council-provided networks, charging a full levy for those services undermines fairness, discourages innovation, and weakens incentives for cost-effective and resilient infrastructure solutions.

⁵ Town and Country planning Act 1990.

12.13. Recommendation MM: Property Council recommends the development levy framework expressly recognise a clear exception where developers deliver infrastructure that does not integrate with, and demonstrably reduces demand on, public networks. In these circumstances, regulations should require levy exemptions, offsets, or reductions to be applied through developer agreements, based strictly on actual infrastructure demand.

13. First mover developers

13.1. Property Council largely supports the first mover provisions under new section 211T of the draft Bill, which enable refunds where developers deliver infrastructure that supports subsequent development beyond their site. The following recommendations look to make sure this intent is practically workable for developers.

Unclear triggers for first-mover refunds

13.2. The draft Bill does not clearly define when a first-mover refund must be considered, including whether triggers relate to subsequent connections, capacity utilisation, or inclusion within a levy area. Uncertainty around refund eligibility prevents developers from reliably pricing infrastructure costs at the point of investment, particularly for capital-intensive or early-stage developments.

13.3. Recommendation NN: Property Council recommends the draft Bill impose a clear duty on councils to monitor growth and reassess levy settings where first-mover triggers are met. Regulations should specify objective refund triggers, such as connection events, defined capacity thresholds, or expansion of levy catchments.

Administration of first mover refunds

13.4. Property Council is concerned that relying on judicial review as the primary mechanism to administer first-mover refund will be slow, costly, and inaccessible for most developers.

13.5. While councils are best placed to monitor subsequent development, infrastructure connections, and capacity utilisation that may trigger a refund, the administration and determination of first-mover refunds should sit with the independent regulator. This separation of roles would promote consistency, reduce perceived conflicts of interest, and improve confidence that refund decisions are applied fairly across jurisdictions.

13.6. Recommendation OO: Property Council recommends that the regulator is responsible for overseeing refund assessments, ensuring nationally consistent application of methodology, and administering payments within defined timeframes.

Timing and cashflow risk for first movers

13.7. The scheme does not specify timeframes for reassessing levies or issuing refunds once subsequent development occurs.

13.8. From a feasibility perspective, delayed refunds do not adequately mitigate first-mover risk. Development decisions are made upfront, and prolonged cashflow exposure increases borrowing costs, constrains lending, and may deter early development in emerging growth areas.

- 13.9. Recommendation PP: We recommend the draft Bill establishes a clear obligation on councils to reassess levies within a reasonable timeframe once triggering growth occurs.
- 13.10. Recommendation QQ: We recommend that regulations or guidelines set out indicative reassessment periods and encourage interim mechanisms, like levy credits or offsets where refunds cannot be immediately processed.

Refund valuation methodology

- 13.11. Neither the draft Bill nor the consultation material explains how refund amounts will be calculated. It is unclear whether refunds will be based on original cost assumptions, updated modelling, or revised infrastructure scopes over time. Without a transparent and consistent valuation methodology, refund outcomes risk being contested or unpredictable, undermining the effectiveness of first-mover provisions.
- 13.12. Recommendation RR: We recommend that a nationally consistent refund methodology is established.

14. Information disclosure

- 14.1. Property Council supports the introduction of an information disclosure scheme to improve transparency. We would like to see this strengthened to greater support these goals.

Requirement to disclose levy performance

- 14.2. The information disclosure scheme focuses on forward-looking assumptions but does not require retrospective reporting on whether levy-funded infrastructure was delivered as planned. Developers have no visibility over whether levies collected in prior periods translated into infrastructure outcomes, weakening trust and reducing confidence in future levy settings.
- 14.3. Recommendation SS: We recommend the information disclosure regulations require councils to disclose historical levy collection and delivery performance, including material deviations between forecast and actual delivery.

Disclosure of assumptions and revisions to assumptions

- 14.4. The information disclosure scheme does not require councils to clearly disclose key levy assumptions, how these impact/create forecasts and any change (growth, costs, scope) to these between levy policies. These assumptions and forecasts materially alter levy rates, creating feasibility risk and making it difficult for developers to understand cost drivers.
- 14.5. Property Council emphasises our discussion and recommendation at point 10.32 of our submission.⁶
- 14.6. Recommendation TT: We recommend the information disclosure regulations require explicit disclosure of changes to assumptions between levy policy updates, including reasons for change and quantified impacts on levy rates.

⁶ Recommendation Y: Property Council recommends that growth cost apportionment and key assumptions are subject to independent review and public accessibility through the proposed information disclosure scheme.

Crown intervention

- 14.7. Property Council supports the inclusion of effective Crown intervention where councils fail to meet disclosure obligations, noting the importance of consistent and meaningful compliance given the role of development levies in infrastructure delivery and housing supply.

15. Third party funding

- 15.1. New Section 211O of the draft Bill changes the treatment of third-party funding by requiring councils to apportion funding on a pro-rata basis between growth and non-growth purposes where no explicit funding purpose is stated. Property Council does not support this approach and has raised the same concern in our submission on the Local Government (System Improvements) Bill.⁷
- 15.2. This approach departs from the “growth pays for growth” principle by shifting responsibility for defining funding purpose onto third parties and introducing unnecessary complexity into levy calculations. A default pro-rata split risks overstating growth costs and over-recovering levies.
- 15.3. For example, where central government funding enables a growth-related asset but does not explicitly state its purpose, councils may deduct only a portion of that funding, despite the asset being fully funded. This undermines cost attribution and creates scope for inconsistent application.
- 15.4. Recommendation UU: We recommend only deducting third-party contributions from development levies where there is a clear, demonstrable intent that the funding is being used to offset growth-related costs. If the proposed change proceeds, clear definitions and guidance will be required to ensure consistent interpretation and application across councils.

16. Climate resilience and development levies

- 16.1. Property Council supports new section 211ZB, which allows levy deductions for non-standard designs. Climate change is increasing pressure on infrastructure networks, and some developments demonstrably reduce demand through resilient, water-sensitive, or demand-managed design.
- 16.2. Failing to recognise resilient development outcomes risks misallocating infrastructure costs and weakening incentives for better design. As climate impacts intensify, appropriately recognising climate-adapted and resilient development will help reduce long-term infrastructure pressures and mitigate costs for future generations.
- 16.3. Recommendation VV: Property Council recommends strengthening new section 211ZB to clearly enable development levy reductions or remissions where developments demonstrably reduce infrastructure demand or lifecycle costs through resilience and climate adaptation measures. In regulations, this could be supported by alignment with objective and nationally recognised standards such as NABERSNZ, Greenstar, or equivalent.

⁷ This submission is available to view on our website here:

<https://www.propertynz.co.nz/submissions/property-council-submission-on-the-local-government-system-improvements-bill-2025>

17. Transition and implementation

- 17.1. Property Council supports a staged transition and the parallel operation of development levies and development contributions in principle, but notes that clearer national transition rules will be critical to avoid inconsistent charging, uncertainty for long-term developments, and unnecessary disputes during implementation.

Nationwide consistency during implementation

- 17.2. Property Council is concerned that the consultation leaves transition mechanics largely to the discretion of councils. There is no prescribed approach around how councils should phase-in price increases under the new development levy scheme. The property sector needs certainty to be able to absorb price increases in their existing feasibility plans.
- 17.3. Recommendation WW: Property Council supports the one third phase in over a three-year period but would recommend this is mandated across all councils.
- 17.4. Recommendation XX: Property Council recommends nationwide, clear step-up dates, cut-off dates and alignment with Long Term Plan cycles where feasible.

Price signals

- 17.5. Property Council is concerned that the consultation does not address the notice period for development levy price changes during implementation/transition and appears to assume that levy policies will take legal effect immediately upon notification. This is concerning given the consultation has identified that there will be material price changes in levies for some areas.
- 17.6. During this period of change, clear and forward price signalling is essential. Development and investment decisions are made well in advance of consent lodgement and rely on stable assumptions around infrastructure costs, land values, and financing. Immediate legal effect undermines the ability of the market to absorb new levy settings in an orderly way, increases feasibility risk, and creates uncertainty at a time when the sector is already adjusting to a new charging framework.
- 17.7. Property Council re-iterates our recommendation at point 8.11 in our submission.⁸
- 17.8. Recommendation YY: During implementation, we recommend that the development levy regime include a mandatory notice period before legal effect for levy price changes.

Consent stage misalignment risk

- 17.9. The development levy framework risks misalignment between the consent stage where a project may be assessed under development contribution policy and then reassessed under a new policy at the stage at which development is delivered. Consent stage misalignment risk could also happen with policy pricing changing every year of the three-year transition phase. Many developments are refined or staged after resource consent. Without clear rules, these

⁸ Recommendation K: Development levies policies include a reasonable notice period, consistent with the current development contributions framework.

changes may unintentionally trigger reassessment under updated levy settings, undermining cost certainty and development feasibility.

17.10. This is acute for multi-stage or master-planned developments that straddle the development levy transition stage over many years. Larger developments rely on infrastructure assumptions locked in years in advance and consistent costs throughout. Consideration and certainty also needs to be given to developer agreements made under the existing development contribution regime and their validity under the new scheme.

17.11. Recommendation ZZ: During implementation, Property Council recommends the levy framework clearly specify the consent stage at which levy liability is fixed, with limited and defined circumstances for reassessment.

17.12. Recommendation AAA: Property Council recommends grandparenting or transitional protections for approved large scale staged developments and existing developer agreements made under the existing development contribution scheme.

Administrative burden and resourcing

17.13. The implementation of the development levy scheme will place significant administrative and resourcing demand on councils. Poor data quality or rushed modelling at implementation creates a high risk of errors becoming embedded in levy settings and establishing inconsistent early precedents that are difficult to unwind.

17.14. These risks are amplified by concurrent planning reforms. We are concerned that spatial plans under the newly proposed Planning Bill 2025 should be in place before the development levy phase-in begins, to align levy policies with infrastructure funding priorities. Property Council questions whether spatial plans will be developed in time for mid-2027 implementation of development levies.

17.15. Recommendation BBB: Property Council recommends government ensure councils are adequately resourced and supported through clear sequencing guidance, transitional protections, and targeted capability support.

17.16. Recommendation CCC: Property Council recommends development levy implementation is phased in after spatial plans under the Planning Bill 2025 are established.

Delayed implementation

17.17. Property Council is concerned that the new development levy scheme still requires significant work and road-testing to ensure that it is effective. The shift to development levies represents a once in a lifetime opportunity to consider how local government infrastructure should be funded and planned. It is crucial that this shift is well thought-out, road-tested and collaborated on across both local government and industry.

17.18. We re-iterate our recommendation made at point 5.4.⁹

⁹ Recommendation A: We strongly recommend implementation timeframes are delayed, and further targeted consultation is completed before the legislation is introduced to Parliament as a Bill.

17.19. Recommendation DDD: We recommend that a second period of targeted consultation before legislation is introduced into Parliament which includes engagement with Property Council New Zealand, local government and the wider community of property developers.

Double dipping risk with development contributions

17.20. The transition from development contributions to development levies creates a risk of double charging where the same infrastructure is funded under both regimes. This risk is heightened during the transition period, where infrastructure programmes, levy areas, and funding assumptions may overlap or be re-scoped.

17.21. If not tightly managed, this creates refund and reconciliation challenges for councils and uncertainty for developers. Poorly defined reconciliation processes risk undermining confidence in the scheme, increasing transaction costs, and delaying development.

17.22. Recommendation EEE: Property Council recommends regulations require clear, mandatory reconciliation mechanisms to prevent double charging, including transparent crediting of prior development contributions, defined refund processes and timeframes, and clear reporting on how previously collected contributions are accounted for within development levy calculations.

17.23. Recommendation FFF: Property Council recommends that councils are required to undertake an audit of all existing or planned infrastructure assets that are/have been funded through development contributions.

18. Regulator

18.1. Property Council strongly supports the cabinet decision to include an independent stand-up regulator from day one of the scheme, as discussed in Cabinet Paper, ECO-25-MIN-0192. Property Council views an independent regulator as an effective check and balance on local councils, who are effectively monopolistic providers of enabling infrastructure.

18.2. We acknowledge that the Commerce Commission is being considered as the regulator at this stage. To be effective, the Commission's regulatory approach must be capable of testing infrastructure cost assumptions, validity of infrastructure asset schedules, levy calculations, and pricing methodologies in substance, not just process. Effective oversight will require specialist capability in infrastructure delivery, engineering, cost allocation, and property development economics, alongside traditional economic regulation expertise.

Key gaps the regulator should monitor and oversee

18.3. Based on the proposed scheme and the issues identified in our submission above, Property Council considers the regulator's scope should include regulation of:

- **Levy calculation methodology:** auditing whether growth costs, growth units, and capacity assumptions maintain a clear causal and proportional relationship and preventing an over-inflation of aggregate growth costs.
- **Infrastructure eligibility and scope:** testing whether levy-funded infrastructure is genuinely growth-enabling, rather than renewal, level-of-service upgrades, amenity projects, or historic under-maintenance.

- **Financing costs, contingencies and interest:** scrutinising the inclusion, scale, and transparency of financing costs, contingencies, and any annual adjustments.
- **NPV and escalation assumptions:** ensuring future costs are appropriately discounted and escalation assumptions do not undermine intergenerational equity.
- **Forecast accuracy and plan alignment:** reviewing the reliability of long-term growth and infrastructure forecasts, including whether projects assumed in levy models are delivered, deferred, or materially changed.
- **High-cost overlays:** monitoring high-cost overlays to ensure cost-reflectively, criteria is met and assessing whether overlays create undue feasibility shocks.
- **Information disclosure and reporting:** enforcing consistent, comparable disclosure of levy assumptions, collections, expenditure, surpluses/deficits and delivery outcomes.
- **Bespoke levy assessments and developer agreements:** overseeing triggers, minimum levy expectations and consistency.
- **First mover provisions and refunds:** Administering refund mechanisms to operate effectively and in a timely manner.
- **Remissions or adjustments:** ensuring remissions or adjustments for resilient development outcomes or non-standard designs are applied transparently without creating hidden costs.
- **Implementation and Transition:** it is crucial a regulator is in place to monitor how councils roll out their policies during implementation.
- **Double dipping:** Monitoring, auditing, and reconciling existing and planned development-contributions-funded infrastructure, including verifying that councils have undertaken a complete and accurate audit of all relevant projects before transition to the development levy scheme.

Independent, decision-making regulator/authority

- 18.4. Property Council emphasises that the effectiveness of a regulator will depend on the regulator having sufficient statutory powers to test, challenge and intervene in levy-setting decisions. Without such powers, the regulator may be unable to prevent over-collection, cost shifting, or inconsistent application of the scheme across councils and services.
- 18.5. This would undermine confidence in the levy framework, weaken accountability, and perpetuate many of the same feasibility, transparency, and price-volatility issues experienced under the current development contributions regime. Developers require assurance that levy settings are not only lawful, but reasonable, proportionate, and grounded in evidence.
- 18.6. Recommendation GGG: Property Council recommends the regulator be granted clear statutory authority to independently review development levy methodologies and assumptions, require amendments, direct corrective action (including refunds or levy resets where appropriate), and enforce consistent application of the scheme across councils and service providers.

Regulator post 2030

- 18.7. Property Council notes that the Commerce Commission’s proposed role in regulating the development levy scheme appears to be transitional in nature, with signals that a more comprehensive regulator may be established over time. Property Council supports the evolution toward a more fulsome, enduring regulator. Given the breadth of issues raised in this submission, including development levies, infrastructure planning, spatial plan implementation, and broader funding and pricing settings, a new “super” regulator with oversight across key local government planning and funding functions would support stronger coordination, transparency, and long-term accountability across multiple government workstreams. This could be achieved by combining existing regulatory bodies and/or creating a new entity that is capable of the level of scrutiny and detail required going forward.

19. Local Government planning

- 19.1. Property Council has additional comments on how infrastructure planning capability and decision-making can be uplifted across local government as part of the development levy framework. The new levy system presents a significant opportunity to build confidence in local government spending and planning for both communities and the development sector, to achieve better infrastructures outcomes over time.

Evidence of market testing

- 19.2. Councils play a central role in procuring and delivering growth-enabling infrastructure, and in many cases rely on repeat engagement with familiar consultants, engineers, quantity surveyors, and contractors. While this can support efficiency and institutional knowledge, it also creates a risk that cost estimates embedded in levy calculations are not fully market-tested or benchmarked. Evidence of clear market testing will ensure that infrastructure costs reflect current market conditions and not conservative assumptions, limited supplier pools or historical delivery models.
- 19.3. Recommendation HHH: Property Council recommends that infrastructure projects proposed for inclusion in development levy calculations be supported by evidence of market testing, including quantity surveyor benchmarking, recent tender data, and clearly disclosed escalation assumptions, sourced from at least three independent references where practicable.

Considering impacts on affordability

- 19.4. Development levies ultimately feed through to land values, housing supply, and end-price affordability. While councils assess infrastructure need and cost, there is currently limited visibility of how levy settings interact with broader housing affordability outcomes at a local or suburb level.
- 19.5. Requiring councils to consider and disclose affordability impacts would improve transparency and support better-informed decision-making. It would also help identify where levy settings may unintentionally constrain development feasibility or exacerbate affordability pressures, particularly in lower-value or price-sensitive markets.
- 19.6. Recommendation III: Property Council recommends that councils publish a high-level affordability impact statement alongside development levy policies, outlining the anticipated

effects of levy settings on land values, housing costs, and development feasibility across different areas.

Infrastructure transparency and option assessment

- 19.7. Where infrastructure costs intersect with growth funding, renewal, and level-of-service decisions, it is critical that councils and CCOs can demonstrate that investment choices are evidence-based and represent best value.
- 19.8. Requiring clearer business case transparency would improve accountability and help ensure that levy-funded infrastructure reflects efficient design, appropriate standards, and genuine consideration of alternative delivery methods. This is particularly important where innovative approaches, recycled assets, or non-traditional infrastructure solutions may reduce costs while achieving equivalent outcomes.
- 19.9. Property Council re-iterates our recommendation at 10.42 in our submission.¹⁰

Constrained local government finances

- 19.10.A reliance on developer levies alone is neither sufficient nor sustainable. Property Council acknowledges the sweep of reform underway and the uplift of council resources that will be required. Most regions across New Zealand face significant infrastructure challenges that are already constrained by local government balance sheets. Infrastructure assets deliver benefits across multiple generations, yet current funding settings place a disproportionate share of upfront costs on today's development activity. While development levies may improve cost recovery at the margin, they do not resolve the underlying intergenerational funding challenge and must be complemented by broader funding and financing mechanisms.
- 19.11. Property Council notes a potential imbalance in the current infrastructure funding settings, whereby private development is required to fund growth-enabling infrastructure through development levies, while Crown development activity is not subject to an equivalent, systematic contribution framework. In addition, GST generated from construction activity accrues to the Crown, while councils deliver infrastructure on a GST-inclusive basis without the ability to recover those costs through levies. Taken together, these settings can weaken alignment between growth-related benefits and infrastructure funding responsibilities, placing additional pressure on local authority balance sheets and levy-funded development.
- 19.12. Recommendation JJJ: Property Council recommends the Government consider options to better align GST treatment with infrastructure funding outcomes, including targeted GST recycling or offsets where development materially increases infrastructure demand.
- 19.13. Recommendation KKK: Property Council recommends clearer principles or guidance be developed on Crown contributions to growth-enabling infrastructure, particularly where Crown-led development is a significant driver of infrastructure demand, to support equitable cost sharing.

¹⁰ Recommendation AA: Property Council recommends councils be required to prepare a transparent, project-level business cases for infrastructure investment.

19.14. Recommendation LLL: We recommend central government work with local government to encourage greater uptake and education of alternative funding and financing mechanisms such as targeted rates, public-private-partnerships, special purpose vehicles, asset recycling and bonds.

20. Conclusion

20.1. Property Council members invest, own, and develop property across New Zealand. We thank the Department of Internal Affairs for the opportunity to provide feedback on the draft Bill and consultation. We welcome any opportunities to engage further on any of the issues raised in our submission.

20.2. Property Council supports the intent of the draft Bill to reform development contributions and better support growth. However, the framework as proposed risks increasing cost volatility, weakening cost attribution, and reducing certainty for long-term property growth and investment. The recommendations outlined in this submission are necessary to strengthen transparency, accountability, and proportionality, and to ensure the development levy regime is credible, equitable, and workable in practice.

20.3. For any further enquiries, please do not hesitate to contact Bella Leddy, Advocacy Advisor, via email bella@propertynz.co.nz or phone 0297786114.

Yours Sincerely,



Leonie Freeman
Chief Executive
Property Council New Zealand

Appendix 1 – Property Council list of recommendations.

At a high level, Property Council recommends:

- A. Implementation timeframes are delayed, and a second round of targeted consultation is completed before the legislation is introduced to Parliament as a Bill;
- B. The Government commission a new independent report that investigates our claim of levy charges being absorbed into house prices from the lens of property experts;
- C. The Government reassess the proposed levy scheme with risk modelling of levy costs being absorbed into house prices and/or development feasibility;
- D. Removing references to time from the principle of sufficiency;
- E. Clarifying that only expenditure demonstrably required to deliver additional growth capacity may be allocated to growth, under the principle of proportionality;
- F. That the principle of particularity is amended to include a new (iii): Development levy revenue must be used—
 - (i) for the growth costs in the leviable service for which the levy was imposed; and
 - (ii) for the benefit of the levy area in which the levied development is being undertaken; and
 - (iii) *where reasonably practicable, for growth-related capital expenditure that is directly attributable to an identified infrastructure project or programme as set out in the territorial authority’s infrastructure strategy or long-term plan as required to service the projected growth giving rise to the levy.*
- G. That the principle of transparency is made less procedural, with the following wording:
 - *“Territorial authorities must ensure that development levy setting and use is transparent, with sufficient information disclosed to enable understanding, scrutiny, and accountability of levy policies.”*
- H. Development levies policies be strengthened to require publication of a levy-funded infrastructure programme, including indicative delivery sequencing and regular reporting on levy collection and infrastructure delivery outcomes since the previous three-year levy policy;
- I. That new section 110A(1)(a) explicitly reference spatial plans, relevant environment plan chapters, and any regional reorganisation or growth plans in alignment with the newly proposed Planning and Natural Environment Bills 2025;
- J. Standardised templates are developed for development levy policies;
- K. Development levy policies include a reasonable notice period, consistent with the current development contributions framework;
- L. New Zealand strengthens the causal nexus by requiring development levies policies to include a publicly exhibited list of growth-enabling infrastructure, supported by indicative delivery sequencing and reporting;
- M. Smaller, infrastructure-aligned levy areas to reduce cross-subsidisation, better reflect cost causation, and support brownfield intensification and housing supply;
- N. Implementing 30-year strategic vision for spatial plans, coupled with funding and financing allocated in 10-year increments that can be re-forecasted over time;
- O. The Government assess the historical accuracy of local government long-term planning assumptions, including delivery outcomes for projects forecast in outer years of previous plans, to inform appropriate limits on levy forecast horizons;

- P. Establishing mandatory, periodic reconciliation of levy revenue, realised growth, and infrastructure delivery at the levy-area level, with defined thresholds triggering recalibration or corrective action where material divergence occurs;
- Q. That development levies be strictly limited to infrastructure demonstrably required to enable growth, supported by defined growth triggers linked to measurable demand thresholds such as dwelling numbers, population growth, or network capacity utilisation in the surrounding area of the infrastructure asset;
- R. That financing costs are tightly regulated, transparently disclosed and periodically reviewed. Where appropriate, a standardised band or methodology for financing costs, in line with Local Government New Zealand rates, would provide national consistency;
- S. That financing costs are only be recoverable once infrastructure is committed and triggered, not speculative;
- T. Regulations prescribe a standardised contingency rate for inclusion in development levy calculations, with clear disclosure requirements. Any departure from the standard rate should require evidence-based justification and independent review. Property Council would like to see this regulated by the regulator;
- U. Levy calculations be required to apply mandatory NPV discounting to all future infrastructure costs, using a nationally consistent discount rate, with escalation and discounting assumptions transparently disclosed;
- V. That the indexation power in section 211W be removed. Any cost escalation should be managed through transparent project re-costing at scheduled levy reviews, supported by evidence-based cost updates and mandatory NPV discounting;
- W. Regulations require independently audited cost estimates for all levy-funded projects where estimated growth costs increase materially between levy reviews (for example, increases exceeding 20 percent). This audit could be undertaken at each three-year development levy policy review and made publicly available, with clear explanation of the drivers of cost change and confirmation that the revised scope is necessary to support growth;
- X. Regulations require a direct causal and proportional relationship between aggregate growth costs and expected growth units;
- Y. Growth cost apportionment and key assumptions are subject to independent review and public accessibility through the proposed information disclosure scheme;
- Z. Regulations require growth assumptions used for levy calculations to be sourced from a common, council-endorsed growth model (or equivalent), and that any service-specific variation be clearly justified and disclosed;
- AA. Councils and CCOs, including water services entities, be required to provide standardised and transparent cost breakdowns for all levy-funded infrastructure projects prior to inclusion in a development levy calculation. The Government should provide standardised templates which could include land, design, consenting, construction, contingency and financing costs;
- BB. Where renewal and growth intersect, councils be required to prepare a transparent, project-level business case demonstrating a clear causal nexus between growth demand and the timing, scale and capacity uplift of the investment. Business cases should be supported by asset condition data, growth triggers, and alternative options analysis, and be subject to the information disclosure regime or regulatory oversight;
- CC. Quarterly interest on deferred development levy payments be removed;
- DD. If interest is retained, it should not accrue until development has progressed to the Certificate of Compliance stage, when demand on infrastructure capacity is created and a clearer link to

- financing costs can be demonstrated. A similar mechanism would need to be considered for subdivisions/staged developments;
- EE. The provisions establish a clear, independent mechanism allowing challenges to both individual levy assessments and the underlying calculation methodology. The process should be monitored by the independent regulator, who can identify nationwide patterns, systemic issues and issue precedence/guidance;
 - FF. The Government provide specific clarification on the need for administrative charges;
 - GG. If administrative charges are implemented, they are tightly ring-fenced and reflective of actual administrative cost;
 - HH. Councils are required to publish and maintain a publicly accessible development levy calculation tool on their websites;
 - II. Levy liability be fixed at a clearly defined consent stage, with reassessment permitted only in narrowly defined, objective circumstances and never applied retrospectively to committed development;
 - JJ. That regulations specify procedural requirements for bespoke assessments, including clear timelines, evidence requirements, and reporting obligations. Outcomes should be publicly disclosed to ensure transparency and predictability for all stakeholders;
 - KK. The development levy framework strengthen the role of developer agreements by modelling key features of the UK section 106 approach. This should include a requirement for councils to actively consider developer-led infrastructure proposals, apply defined assessment criteria, operate within set timeframes and provide clear, evidence-based reasons where proposals are declined;
 - LL. The development agreements framework explicitly provide for planning-gain-style mechanisms;
 - MM. the development levy framework expressly recognise a clear exception where developers deliver infrastructure that does not integrate with, and demonstrably reduces demand on, public networks. In these circumstances, regulations should require levy exemptions, offsets or reductions to be applied through developer agreements;
 - NN. The draft Bill impose a clear duty on councils to monitor growth and reassess levy settings where first-mover triggers are met. Regulations should specify objective refund triggers, such as connection events, defined capacity thresholds, or expansion of levy catchments;
 - OO. The regulator is made responsible for overseeing refund assessments, ensuring nationally consistent application of methodology, and administering payments within defined timeframes;
 - PP. The draft bill establishes a clear obligation on councils to reassess levies within a reasonable timeframe once triggering growth occurs;
 - QQ. That regulations or guidelines set out indicative reassessment periods and encourage interim mechanisms, like levy credits or offsets where refunds cannot be immediately processed;
 - RR. A nationally consistent refund methodology is established;
 - SS. The information disclosure regulations require councils to disclose historical levy collection and delivery performance, including material deviations between forecast and actual delivery;
 - TT. The information disclosure regulations require explicit disclosure of changes to assumptions between levy policy updates, including reasons for change and quantified impacts on levy rates;
 - UU. Deducting third-party contributions from development levies where there is a clear, demonstrable intent that the funding is being used to offset growth-related costs. If the

- proposed change proceeds, clear definitions and guidance will be required to ensure consistent interpretation and application across councils;
- VV. Strengthening new section 211ZB to clearly enable development levy reductions or remissions where developments demonstrably reduce infrastructure demand or lifecycle costs through resilience and adaptation measures. In regulations, this could be supported by alignment with objective and nationally recognised standards such as NABERSNZ, Greenstar or equivalent;
 - WW. The one third phase in over a three-year period is mandated across all councils;
 - XX. Nationwide clear step-up dates, cut-off dates and alignment with Long Term Plan cycles where feasible;
 - YY. During implementation, that the development levy regime include a mandatory notice period before legal effect for levy price changes;
 - ZZ. During implementation, the levy framework clearly specify the consent stage at which levy liability is fixed, with limited and defined circumstances for reassessment;
 - AAA. During implementation, grandparenting or transitional protections for approved large scale staged developments and existing developer agreements made under the development contribution scheme;
 - BBB. Government ensure councils are adequately resourced and supported through clear sequencing guidance, transitional protections, and targeted capability support;
 - CCC. That development levy implementation is phased in after spatial plans under the Planning Bill 2025 are established;
 - DDD. A second period of targeted consultation before legislation is introduced into Parliament which includes engagement with Property Council New Zealand, local government and the wider community of property developers;
 - EEE. Regulations require clear, mandatory reconciliation mechanisms to prevent double charging, including transparent crediting of prior development contributions, defined refund processes and timeframes, and clear reporting on how previously collected contributions are accounted for within development levy calculations;
 - FFF. That councils are required to undertake an audit of all existing or planned infrastructure assets that are/have been funded through development contributions;
 - GGG. The regulator be granted clear statutory authority to independently review development levy methodologies and assumptions, require amendments, direct corrective action (including refunds or levy resets where appropriate), and enforce consistent application of the scheme across councils and service providers;
 - HHH. Infrastructure projects proposed for inclusion in development levy calculations be supported by evidence of market testing, including quantity surveyor benchmarking, recent tender data, and clearly disclosed escalation assumptions, sourced from at least three independent references where practicable;
 - III. Councils publish a high-level affordability impact statement alongside development levy policies, outlining the anticipated effects of levy settings on land values, housing costs, and development feasibility across different areas;
 - JJJ. The Government consider options to better align GST treatment with infrastructure funding outcomes, including targeted GST recycling or offsets;
 - KKK. Clearer principles or guidance be developed on Crown contributions to growth-enabling infrastructure, particularly where Crown-led development is a significant driver of infrastructure demand; and

- LLL. Central government work with local government to encourage greater uptake and education of alternative funding and financing mechanisms such as targeted rates, public-private-partnerships, special purpose vehicles, asset recycling and bonds.