

Property Council New Zealand

Submission on Tauranga City Council's Draft Development Contributions Policy 2026/27

1 May 2026

For more information and further queries, please contact

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Tauranga City Council's Draft Development Contributions Policy 2026/27

1. Summary

- 1.1 Property Council New Zealand ("Property Council") welcomes the opportunity to provide feedback on Tauranga City Council ("TCC")'s draft development contributions policy 2026/27 ("the draft Policy").
- 1.2 Property Council opposes the proposed increase to city-wide development contributions noting that the cost of development in Tauranga is becoming increasingly prohibitive.

2. Recommendations

- 2.1 At a high level, we recommend that Tauranga City Council:
 - Not adopt the proposed 7.3% increase in city-wide development contributions;
 - Discontinue the use of city-wide development contributions to fund community infrastructure;
 - Make use of alternative funding models for investment in community infrastructure;
 - Retain a clear and conventional definition of "bedroom"; and
 - Remove the application of development contributions to unconsented or exempt secondary dwellings, or at a minimum, clearly define a prospective trigger for liability.

3. Introduction

- 3.1 Property Council is the leading not-for-profit advocate for New Zealand's most significant industry, property. Our organisational purpose is, "Together, shaping cities where communities thrive".
- 3.2 The property sector shapes New Zealand's social, economic and environmental fabric. Property Council advocates for the creation and retention of a well-designed, functional and sustainable built environment, in order to contribute to the overall prosperity and well-being of New Zealand.
- 3.3 Property is the Bay of Plenty's largest industry. There are around \$144.5 billion in property assets across the Bay of Plenty, with property providing a direct contribution to GDP of \$2 billion and employment for 13,700 Bay of Plenty residents.
- 3.4 Property Council is the collective voice of the property industry. We connect property professionals and represent the interests of 81 Bay of Plenty member companies across the private, public and charitable sectors.

3.5 This document provides Property Councils feedback on [Tauranga City Council's draft development contributions policy 2026/2027](#), with comments and recommendations on issues relevant to our members. Reflecting the diversity of our membership, Property Council members may wish to comment in greater detail on issues specific to their business. Accordingly, we support individual members providing separate submissions addressing those matters.

4. Increase to city-wide development contributions

4.1 TCC has proposed a 7.3 percent increase in city-wide development contributions ("DCs") to fund community infrastructure projects, including the Queen Elizabeth Youth Centre Indoor Court Facility and the Haumaruru facility.

4.2 DCs in Tauranga have increased significantly over the past five years. Under the 2021–2031 Long Term Plan, DCs for a three-bedroom house rose from \$12,200 to \$28,557. In the current draft Policy, this has increased to \$42,952. A large residential dwelling increased by 29 percent in 2024/25, a further 18 percent in 2025/26, with an additional 7.25 percent proposed in this policy.

4.3 Property Council is concerned that the cumulative cost of development in Tauranga is continuing to increase, with changes adding strain to already constrained development feasibility. Developers are facing:

- Proposed increases to city-wide development contributions, with a three-bedroom dwelling now incurring charges of approximately \$42,952;
- Additional local development contributions of up to \$41,000 depending on the location;
- Rising construction, insurance, labour and financing costs; and
- Broader holding costs associated with delays and market conditions.

4.4 Further increases or expanded use of DCs will reduce development feasibility, slow housing delivery, and make Tauranga less competitive for investment. Property Council does not support the proposed 7.3 percent increase. We recommend TCC does not adopt the 7.3 percent increase in city-wide development contributions.

Use of development contributions to fund community infrastructure

4.5 We are disappointed to see that TCC has continued the use of DCs to fund community infrastructure and has not implemented our previous recommendations to adopt alternative funding mechanisms.

4.6 DCs should fund growth-induced demand for core infrastructure, such as transport or three waters, that is crucial to the viability of a given development. We are concerned that when DCs are used as a funding model for community infrastructure, it is difficult to attribute a causal nexus to the demand for wider, holistic, demand for community infrastructure. DCs should not be used as an alternative to rates funding for infrastructure that may not directly benefit new development.

Rising cost of development and impacts on housing affordability

4.7 Using city-wide DCs to fund community infrastructure increases the financial cost charged to developers of new properties. These costs will likely be passed onto the end consumer i.e. house purchaser.

4.8 An independent economic report by Insight Economics, commissioned in 2018 by Hamilton City Council, found that:

“As DCs increase, the cost of land development rise, and thus its profitability falls...”

“In summary, economic theory predicts that the imposition of higher DCs will impact most, if not all, participants in the wider property market.”

4.9 As discussed in the Insight Economics report, higher DC costs will therefore likely result in the following impacts for Tauranga:

- Higher house prices across the city, as the costs of higher development contributions are passed onto consumers;
- Future development viability is negatively impacted, leading to the potential for future developments to be delayed, cancelled or postponed; and
- Tauranga becomes an increasingly unattractive place to invest in, disincentivising the creation of new development, a strong construction workforce and continued economic activity.

4.10 We recommend that TCC discontinue the use of development contributions to fund community infrastructure.

Alternative funding and financing

4.11 Property Council has consistently supported the use of transparent, beneficiary pays funding models for local government. We support the use of a wide range of alternative funding models for the funding needs currently met with city-wide development contributions for community infrastructure. Examples of these include targeted rates, user-pays approaches to delivering services and special purpose vehicles (SPVs).

4.12 These models more equitably distribute the costs of investment in community development across the broader community, all of whom benefit from such investment. They also offer ratepayers greater transparency and certainty, while funding community infrastructure in a manner with far fewer external consequences to development and house prices.

4.13 We recommend that TCC make use of alternative funding models for investment in community infrastructure, such as targeted rates, user-pays approaches to delivering services and special purpose vehicles.

5. Definition of “bedroom”

5.1 Property Council notes TCC’s proposed amendment to the definition of “bedroom” to include second living areas, rumpus rooms, and similar spaces for the purpose of assessing city-wide DCs. We do not support this approach. Expanding the definition of

a bedroom beyond its ordinary meaning risks overstating occupancy assumptions and artificially inflating DC liability, without a clear or proportionate link to actual infrastructure demand.

5.2 We recommend that TCC retain a clear and conventional definition of “bedroom.”

6. Treatment of unconsented secondary dwellings (granny flats)

6.1 Property Council notes TCC’s position that small stand-alone dwellings may incur DCs where they meet the definition of a household unit, including where no building consent is required. We are concerned that this approach creates uncertainty and is inconsistent with the intent of the DC framework. The draft Policy does not clearly define:

- How unconsented or exempt dwellings will be identified;
- When development contribution liability is triggered; or
- How council will distinguish between existing lawful dwellings and new growth.

6.2 DCs are intended to fund growth-related infrastructure demand. Applying charges to existing or historic secondary dwellings risks charging for development that did not generate new demand, undermining the “growth pays for growth” principle. The approach may also discourage small-scale intensification. Central Government has enabled granny flats to support housing supply, and additional or unclear DC liability risks undermining this objective.

6.3 We recommend that TCC remove the application of development contributions to unconsented or exempt secondary dwellings, or at a minimum, clearly define a prospective trigger for liability.

7. Certainty through development levies reform

7.1 Property Council notes the Central Government’s proposed reform of DCs, with new development levies expected to be implemented from 2027–2028. In the interim, it is critical that settings remain stable and predictable. Maintaining consistency in development contributions will provide the certainty required for investment and project delivery during the transition period.

8. Conclusion

8.1 Property Council does not support the proposed increase in city-wide development contributions. We have consistently opposed the use of city-wide development contributions to fund community infrastructure and have recommended the use of alternative funding models.

8.2 Property Council members invest, own, and develop property in Tauranga. We wish to thank TCC for the opportunity to submit on the draft Development Contributions Policy as this gives our members a chance to have their say on the future of our city. We would like to make an oral submission to TCC in support of our position.

8.3 Any further enquires do not hesitate to contact Bella Leddy, Senior Advocacy Advisor, via email: bella@propertynz.co.nz or phone: 0297786114.

Yours Sincerely,



Morgan Jones
Central Regional Committee Chair
Property Council New Zealand