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Christchurch City Council submission on the Development Levies proposals

Introduction

1. Christchurch City Council (the Council) thanks the Department of Internal Affairs (DIA) for the opportunity to provide comment on the Development Levies proposals.
2. The Council broadly supports the intent and direction of the proposed development levies system, noting the Government's wider objectives of the Going for Housing Growth programme, including the goal that 'growth pays for growth'. The development contributions system is no longer fit for purpose, and we note the general under-collection of development contributions by councils across New Zealand and resulting ratepayer subsidisation of growth infrastructure. However, we have concerns about the workability of some of the proposals detailed in the *Supporting Growth Through a Development Levies System* consultation document.
3. This cover letter provides an overview of our key submission points. Feedback on the questions asked in the consultation document is attached to this letter.

Submission

The Council recognises the need for a new system to fund growth infrastructure

4. The Council shares the Government's concern that the current development contributions system is no longer sufficient for councils to fully recover the cost of providing growth infrastructure.
5. The direction of the Going for Housing Growth (GfHG) programme, alongside proposed changes to the Resource Management Act 1991 (RMA) and intention to implement rates caps for councils highlight the importance and urgency of a revised growth infrastructure funding system. An evolving, enabling planning environment makes it increasingly difficult to predict where growth is going to occur in our districts and subsequently plan infrastructure to service it. Given the direction through the GfHG programme and resource management reforms, we have concerns about the economic costs of unplanned growth and responsive planning.
6. We emphasise the importance of minimising any additional financial burdens being placed on councils – particularly regarding infrastructure planning and investment. Councils' ability to manage the cost and cost recovery of infrastructure is contingent on certainty in the sequencing of new growth areas, both greenfield and through intensification. However, if unplanned growth and responsive planning is enabled, we need to strengthen the ability of

councils to collect revenue through development levies or contributions in a timely and equitable manner.

7. Overall, we support the intent and direction of the proposed legislative changes. We believe the levy system could allow councils to better recover the cost of growth infrastructure compared to the current development contributions system. We note the Infrastructure Commission's findings¹ that metro councils are not recovering the full costs to deliver growth infrastructure, with some recovering less than half of their growth-related costs. In the context of proposed rates caps, it is not sustainable to continue to allow ratepayers to subsidise the cost of growth.

The Council supports the introduction of levy areas and softening of causal nexus requirements

8. We support the proposal to weaken the development contribution system's casual nexus test and remove the requirement for councils to apportion growth and demand to sub-district catchments. The catchment system is no longer fit for purpose in the current planning environment, and we consider the move to large levy areas to be more reflective of the realities of responding to growth in our district.
9. In principle, we support the ability for councils to set high-cost overlay areas for expensive-to-deliver infrastructure. It will however be important that high-cost overlays still allow councils to fully recover the cost of growth infrastructure. If higher development levies discourage development after councils have already invested in growth infrastructure assets, councils could be left with expensive, under-utilised infrastructure assets that end up being rates-funded. We therefore ask that councils have discretion as to whether or not they utilise high-cost overlays in their development levy policies.

While a potentially helpful tool, bespoke assessments will be complex to produce

10. The Council acknowledges the Government's intent to allow councils to include growth infrastructure not yet planned for in the capital programme in a bespoke development levy assessments for out-of-sequence development. Under the development contributions system this type of development is currently not paying for infrastructure it triggers the need for councils to provide. However, even though councils will not have to use detailed construction design to cost infrastructure, bespoke assessments will be resource intensive to produce. Based on past experiences of costing infrastructure for out-of-sequence development, we expect the cost to produce a bespoke assessment could be over \$100,000. While councils can recover from developers "reasonable" costs incurred in producing these assessments, they will still require councils to commit significant staff time in the process. We also note the potential for objections to bespoke assessments given the potential quantum of the assessments, which could be expensive for councils to defend in an objection or judicial review process.
11. While we consider councils will most often be the party that triggers the commencement of a bespoke assessment, we are concerned that section 211AAZ of the proposed legislation will allow a developer to request a bespoke assessment and require the council to prepare one

¹ New Zealand Infrastructure Commission. (2025). Paying it back: An examination of the fiscal returns of public infrastructure investment. Wellington: New Zealand Infrastructure Commission / Te Waihangā.

“without undue delay”. Given the resource intensive nature of these assessments, it is important that councils can decline to undertake a bespoke assessment if it does not consider this mechanism necessary.

12. To ensure that infrastructure is delivered efficiently and that ratepayers are not left paying for unused capacity for out-of-sequence development, we consider it imperative that section 211ZZC(1)(b) of the proposed legislation remain in the final bill. Councils need to also be able to recover, via a bespoke assessment, the expected additional cost of providing capacity for further development, if the council determines that is most efficient process. We support councils and developers being able enter into a first-mover agreement to recover the cost of the additional capacity from subsequent development which is then passed on to the initial developer.

We support direction on methodology, but local variances need to be recognised

13. The Council supports, in principle, the proposal to set standardised methodology to apportion growth and determine units of demand across set development types. Direction on these matters to be helpful and provide clarity to both councils and developers, and we expect will reduce the amount of assessment disputes resulting from the demand assumptions built into the policy. However, we have concerns that a one-size-fits-all approach will not be appropriate for all activities and consider it important that any standardisation recognises the local differences that may occur across the activities.
14. In terms of residential development, we support a bedroom-based approach to assess residential units. Census data shows that the greater the number of bedrooms in a residential unit the more people are likely living in it. The more usual residents in a residential unit, the greater level of demand on council services. We are unaware of any data supporting a correlation between gross floor area and number of usual residents and consider the proposed bedrooms-based approach the fairest way to apportion demand.
15. We have concerns, however, at the inference that certain residential typologies would be assessed for levies after accounting for seasonal fluctuations and do not consider this an appropriate way to determine demand. All development levy assessments need to be based on peak levels of demand because this is what council infrastructure needs to be built to service.
16. We consider the proposed non-residential development types are too broad and need to be refined. Ultimately DIA should undertake further engagement with councils in order to produce a set of development categories and demand equivalences.

The Council is concerned about the increased administrative complexity of the levy system

17. We note this regime will come with significant additional administrative complexities and costs to council particularly with respect to the number of potential re-assessments. We support the proposal for councils to recover the cost to administer development levies policies from developers and ask that councils are enabled to recover the full administrative cost via this fee.

Clarification is required as to the calculation to set development levy charges

18. We seek clarity on the period for which development levies should be collected. The proposed requirement to link future projects used in a levy calculation to growth expected in the short to medium term appears to be inconsistent with the partial exposure draft which talks about servicing long-term growth. For our purposes, we consider short-term growth to be five years, medium-term to be 10 years and long-term to be 30 years.
19. The period for which councils collect levies should match the period over which growth projects are delivered. Councils currently collect development contributions over a period of life of the loan, life of the asset, or capacity of the asset (whichever happens first). This means development contributions are often collected for a period of up to 30 years. However, councils can only collect development contributions for projects to be delivered over the ten-year long-term plan (LTP) period with new projects added with each review. As a result, the schedule of assets contained within a development contributions policy grows with each policy.
20. If the period over which council collect development levies does shorten, consideration needs to be given to transitioning between the two systems. Councils need to be able to recover the growth component of old infrastructure projects – if not, councils will be forced to forgo revenue associated with the unrecovered capital expenditure, and the difference will be picked up by ratepayers.

Development in neighbouring districts

21. Councils need to be able to charge development levies for development in neighbouring districts that puts demand on our infrastructure. This is a significant issue for Christchurch as the Greater Christchurch area continues to grow. Growth capacity in our road network also caters for the thousands of commuters who come into the city from our neighbouring districts each day and it is fair those developments contribute to the cost of providing that capacity.

The Crown must pay levies under the new system

22. Finally, the Crown must ensure it too pays development levies and should not exempt itself from this requirement as it currently does for development contributions. There is no rationale for the current Crown exemption under the development contributions system particularly in the context of rates caps. Crown development puts demand on Council infrastructure just like any other development and our ratepayers are currently picking up the cost to provide that capacity.

Conclusion

23. At a high level, the Council supports the direction of the development levy system. Some of the issues raised in the consultation document reflect our Council's experience with development contributions in recent years. However, the proposed system contains complex issues that still need to be worked through. It is important that the details of any standardised methodology are produced in collaboration with councils and that any regulations allow councils sufficient flexibility to account for local variances within their levies policies. We look forward to engaging with you further over the coming months on this issue.

24. Thank you for the opportunity to provide this submission. For any clarification on points within this submission please contact Ellen Cavanagh, Senior Policy Analyst (ellen.cavanagh@ccc.govt.nz).

Ngā mihi,



Phil Mauger

Mayor of Christchurch

Supporting Growth Through a Development Levies System

Question	Answer
<p>1.1 Do you have any feedback on why development levies are needed?</p>	<p>We agree the development contributions system is no longer fit for purpose and share the Government’s concern around the general under-collection of development contributions and the consequent ratepayer subsidisation of growth infrastructure across the country. We note the direction of the Going for Housing Growth (GfHG) programme, alongside proposed changes to the Resource Management Act 1991 (RMA) and rates capping proposals make the need for a revised growth infrastructure funding system become more urgent. The Government’s proposal to cap rates will constrain councils’ ability to fund growth infrastructure in the future. Therefore, it is imperative that councils are given a development levies system that properly ensures growth pays for growth if a rates cap model is to be achieved alongside these planning changes.</p> <p>The concerns with respect to the development contributions system are aligned with what the Council experience in our most recent review of our Development Contributions Policy and what is being seen in Christchurch, more generally. We have noticed increased uncertainty with where growth is going to occur, particularly in the infill areas of our district, and we need a flexible toolkit to allow for the timely provision of infrastructure and fund that infrastructure required to support this growth.</p> <p>Given the direction of the GfHG and resource management reforms, we have concerns about the economic costs of unplanned growth and responsive planning. We emphasise the importance of minimising any additional financial burdens being placed on councils – particularly regarding growth infrastructure planning and investment. Councils’ ability to manage the cost and cost recovery of growth infrastructure is contingent on certainty in the sequencing of new growth areas, both greenfield and through intensification. However, if unplanned growth and responsive planning is enabled, we need to strengthen the ability of councils to collect revenue through development levies or contributions in a timely and equitable manner.</p>
<p>1.2 Do you have any feedback on the overall approach for development levies?</p>	<p>Overall, we support the approach, particularly with the respect to the proposed weakening of the casual nexus test and removal of catchment requirements. We support councils having discretion to</p>

establish more than one levy area if it deems there is good reason to do so, noting that some districts contain more than one unrelated urban community.

With the development contributions systems, councils draw catchments for each activity, determine how much growth is going to occur in each of those catchments and then calculate development contributions by dividing the cost of growth infrastructure by projected growth in each catchment. If councils do not have confidence in where growth is going to occur, they are at risk of under-collection of development contributions with the catchment system. Furthermore, the requirement that development contributions must be directly tied to projects already in the capital programme means that developments that trigger the need for councils to provide infrastructure (once the concern is already submitted) do not pay development contributions toward those assets. Finally, the current system runs the risk of exacerbating the impact of a constrained fiscal environment and proposals to cap rates increases.

While we recognise the intent of these proposals is to ensure development levies are paid promptly and ensure councils recover their actual costs to deliver growth infrastructure, we do have concerns that aspects of the proposals will add administrative complexity to the levies policy which will result in additional cost to Council. We therefore consider it imperative that councils are enabled to recover the full costs of providing development levies assessments and undertaking bespoke levy assessments for out of sequence development.

We also make two additional requests for your consideration as you draft the final bill.

The Crown must pay development levies and should not exempt itself like does for development contributions. There is no rationale for the current Crown exemption under the development contributions system particularly in the context of rates caps. Crown development puts demand on Council infrastructure just like any other development and our ratepayers are currently picking up the cost.

Councils need the ability to charge development levies for development in neighbouring districts that puts demand on our infrastructure. This is a significant issue for Christchurch with our ratepayers

	<p>funding significant growth capacity in our road network to cater for the thousands of commuters who come into the city from Selwyn and Waimakariri districts each day.</p>
<p>2.1 What do you think of the requirement to link future projects used in a levy calculation to growth expected in the short to medium term?</p> <p>How might this impact council's ability to set high-cost overlays?</p>	<p>The Council seeks clarity on what is meant by "short to medium term" growth. For the purposes of our planning, we consider this to be five years (short term) and 10 years (medium term). Long-term growth is considered growth over 30 years. We note that three waters infrastructure is planned to consider growth for the next 50 years.</p> <p>The requirement to link future projects used in a levy calculation to growth expected in the short to medium term appears to be inconsistent with the partial exposure draft which says [emphasis added]:</p> <p><i>S211B(b): development levies should be set at a level that enables a territorial authority to recover the costs of capital expenditure necessary to service growth across a levy area over the long term.</i></p> <p><i>S211J(2)(c): the impact that a high-cost overlay may have on the long-term efficient provision of the leviable service to the community</i></p> <p>The period for which councils collect development levies should match the period over which those projects are delivered. We currently collect development contributions over a period of the life of the loan, life of the asset, or capacity of the asset (whichever happens first). In Christchurch, the collection of development contributions for most of our assets with a growth component is spread over 30 years. However, we only collect development contributions for projects to be delivered over the ten-year long-term plan (LTP) period. As a result, our council is finding the quantum of the schedule of assets in our Development Contributions Policy has mushroomed. We still have projects in our policy that were in our first policy in 2004. If councils are required to provide infrastructure to service growth that could occur anywhere in the district, it is not desirable or sustainable for this debt to be sitting on our books for 30 years, especially in the context of proposed rates cap measures.</p> <p>Finally, if the period over which councils collect development levies is shortened, consideration needs to be given to transitioning between the two policy settings. Councils need to still be able to recover the growth component of old projects – if not, councils will be forced to forgo revenue associated with the unrecovered capital expenditure, and the difference will be picked up by ratepayers.</p>

	<p>It will be important that high-cost overlays still allow the Council to fully recover the cost of growth infrastructure. If higher development levies discourage development after we have already invested in infrastructure assets, the Council could be left with expensive, under-utilised infrastructure assets that end up being paid for by the ratepayer. Councils should therefore have discretion to decide against setting a high-cost overlay if it considers the overlays results in a charge so high it would discourage uptake of the infrastructure.</p>
<p>3.1 Are there other ways that development agreements could be strengthened?</p>	<p>What is proposed seems reasonable. The proposed criteria reflect good practice, and we do not believe additional constraints are required. Further constraints run the risk of tying the hands of both councils and developers.</p>
<p>4.1 Are there other situations where bespoke levy assessments should be triggered?</p>	<p>Councils should be able to seek an additional development levy in instances where we must allow a development to proceed and that development triggers the need for upgraded infrastructure that is not otherwise planned for.</p> <p>However, we note that bespoke assessments will likely be resource intensive to produce. In our experience, costing infrastructure for out-of-sequence development, take a lot of time to complete. We expect the cost to produce a bespoke assessment could be over \$100,000. Developers should be liable for the cost to complete a bespoke assessment, even if the development does not go ahead.</p> <p>We are concerned that section 211AAZ will allow a developer to request a bespoke assessment and require the council to prepare one “without undue delay”. Given the resource intensive nature of these assessments, it is important that councils can decide not to undertake a bespoke assessment if it does not wish to use that mechanism. We ask that this clause be removed so that councils have the ability to decline to undertake a bespoke assessment if it considers one unnecessary to appropriately fund the growth infrastructure associated with that development.</p> <p>In terms of the situations that may give rise to a bespoke levy assessment, the final bill will need to reflect the relevant provisions of the replacement RMA legislation.</p> <p>Should bespoke assessment provisions be removed from the final bill, we ask that councils have the ability to add infrastructure required for out-of-sequence development to a levy policy without</p>

	<p>undertaking a special consultative procedure. Additionally, we request that councils can reserve the right to assess out-of-sequence development under the revised policy and not the policy in place at the time the complete consent application is received.</p>
<p>5.1 Can you provide case studies or examples that are representative of first mover developments?</p>	<p>In Christchurch first movers have put in parks/ reserves, stormwater infrastructure and traffic signals in the past. If a developer provides capacity over and above what is required to service its development the Council may enter into a developer agreement regarding financial compensation for the additional capacity. This is dealt with on a case-by-case basis. This provision should remain in the development levies system for councils that find this option a preferable way of compensating developers for providing additional capacity. In addition, councils should be able to compensate first mover developers for additional capacity they provide and then add the cost of that additional capacity to the levy policy, to be either paid for by general levy area or by a set overlay area, whichever the council determines is appropriate.</p> <p>Examples of this are the Prestons and Wigram Skies subdivisions, which were both large post-earthquake developments. We note first movers are most often very large development companies with other smaller companies coming in once development of the area has been started.</p>
<p>5.2 Are there other ways of ensuring fairness to first mover developments?</p>	<p>We don't have any suggestions for this question.</p>
<p>6.1 What process could we put in place to provide clarity about the differences between the anticipated and actual use of levy funds?</p>	<p>Section 211Q of the exposure draft seems to be similar to the current requirement that development contributions are ringfenced to the catchment and activity for which they were taken. We note this currently means funds can be re-allocated to other projects in the same area and activity if a project does not go ahead. We consider it fair and appropriate to retain going forward particularly given the uncertainty about where growth is likely to happen, and our need to respond accordingly.</p> <p>We note the intention for councils to report on actual use of levy funds is intended to provide transparency for the community with respect to which projects for which levies are spent but councils are already required to only spend development contributions for the purpose and area they were taken.</p>
<p>7.1 Do you agree with the proposed topics for which regulation-making powers would be established?</p>	<p>The Council believes there may be some scope for standardisation of some elements of development levies policies but that it is highly unlikely that a high degree of standardisation would be possible or</p>

	<p>even desirable. Councils currently have evolved approaches to development contributions that suit their development needs and realities and need to be able to tailor their policy approaches to these.</p> <p>We support standardisation of administration charges, information disclosure requirements, treatment of intangible assets and record-keeping obligations. Councils will benefit from clarity and direction in these areas. Legislative direction will also provide councils and developers with surety that the approach is correct and appropriate, which we expect could limit the number of objections to assessment or challenges to the policy itself.</p> <p>We have some concerns about defining and allocating units of demand and standardising cost allocation methods.</p>
<p>7.2 Are there any unexpected or unintended impacts you think could result from standardising these parts of the development contributions system?</p>	<p>In terms of residential, yes, there may be unintended consequences. A household unit equivalent (HUE) is based on the demand an average household in the district places on council infrastructure. This demand is highly contingent on the number of usual residents in a household. 'Usual residents per household' averages vary across the country and are heavily impacted by things like age of the population in a city or district. Comparing Christchurch to our neighbouring district Selwyn for example, Selwyn has a much higher residents per household ratio than us because they have a population with a proportionally large number of young families. Nationwide, we note 2018 Census data showed that the average number of usual residential per household varied from 2.1 to 3.0 people across the districts, with the average being 2.7. While that variance seems small, it is fairly significant in the context of a development contributions and development levies assessment.</p> <p>For the water supply and wastewater activities actual demand is directly related to the number of people in a dwelling so standardising residential demand will result in actual inaccuracies in the assessments and resulting levy requirements.</p> <p>These concerns do not necessarily carry over in the transport activities. If demand is based on standard trip generations, it is likely that the difference between central city living versus suburbs is similar regardless of district. We therefore do not believe there is much variation between districts over the long term.</p>

<p>7.3 What other aspects of the current development contributions system could benefit from regulations or standardisation?</p>	<p>We note there will be instances where anticipated demand falls well outside the demand assumptions built into the policy. Under the development contributions system, councils can deal with this through a special assessment using actual expected demand instead of HUE multipliers. It would be helpful for a threshold to be set in regulation for when a special assessment should be used, for example when actual demand is half or double the average demand built into the policy.</p>
<p>8.1 What time period would be suitable for moving to development levies?</p>	<p>In order to commence development of a levy policy, councils will need surety of the final legislation, regulations and methodology requirements. The process to develop and adopt a development levy policy would likely take 18 months once all legislative requirements are known. Should the legislation be passed sometime in Q1 2027, we expect July 2028 would be the earliest a levy policy would be in place.</p> <p>We note timeframes for development levies proposals have been significantly delayed from what was initially indicated. Councils need certainty in the requirements of the development levies system and sufficient time to produce compliant policies.</p> <p>We note the Government is progressing substantial reforms to the structure and functions of local government. This concurrent reform process introduces significant uncertainty regarding alignment of the implementation timeframes. The timing and sequencing of these reforms and how they connect will be critical. Enactment of the Planning Bill will occur long before development levy legislation is passed. Additionally, councils will be developing their regional spatial plans without surety of how growth infrastructure will be paid for.</p>
<p>8.2 How can the phase-in to development levies be used to manage the impact on developers?</p>	<p>We note that rates caps are expected to be in effect from 2029 and councils will need appropriate alternative tools to sufficiently fund growth infrastructure including through development levies.</p>
<p>8.3 How do you think the phase-in proposals above would affect councils' ability to fund the infrastructure necessary to provide for growth?</p>	<p>Our biggest transitional concern is if the period for which we collect levies is different to development contributions. It is important to ensure councils are still able to recover for infrastructure projects still in our development contributions policies that have not yet been fully recovered. This concern is detailed further in our answer to question 2.1.</p>

<p>9.1 What would be the impact of standardising how the maximum cost attributable to renewal should be determined?</p>	<p>More detail is required for this issue, and we do not have a preferred option at this stage.</p> <p>The Council notes that by capping the maximum amount to renewals we could (potentially) be attributing too much to growth, which would be unfair to the developer.</p> <p>For the reserves and community infrastructure activities, in particular, we consider this could be helpful as this can be an area where cost allocation is less clear. Consideration needs to be given to the various levels of service used by councils across the country, as these can significantly impact the cost allocation of an asset.</p>
<p>9.2 What should be considered in assigning benefit to existing communities versus development?</p>	<p>As a first step, the existing development contributions requirements seem appropriate: does the development (or existing community) contribute to the need for infrastructure to be provided and/or benefit from the provision of that infrastructure.</p> <p>For reserves, we note it can be difficult to distinguish between growth and improved level of service, or increased capacity vs improved quality, for example upgrading playgrounds for more people or improved experience or both.</p>
<p>10.1 To what extent would greater national consistency in interpreting units of demand improve clarity, fairness, and comparability of development levies across councils?</p>	<p>The Council supports more consistency and direction in this area. Development contributions can be highly litigious, and some councils have expended considerable resource defending their policies. However, one size will not fit all for every activity. While we think this would be helpful for activities like community facilities, reserves, and potentially transport, we have reservations about standard units of demand being used for the water activities.</p> <p>We note the Department of Internal Affairs (DIA) has produced a guide to developing and operating development contributions policies. Our Council finds this document to be a very helpful document and we suggest a similar document could be created for levies which sets out best practice for cost allocations and setting units of demand but allows councils to opt out of these standards if local conditions dictate this to be appropriate.</p>
<p>10.2 How much flexibility should regulations allow in reflecting local conditions such as</p>	<p>Councils should be able to opt out of standardised methodology if local conditions are sufficiently distinct that using what is prescribed would result in incorrect cost allocations and units of demand.</p>

<p>density, geography, or service delivery models?</p>	
<p>10.3 Are there risks in fully standardising both measurements and values for units of demand across all councils?</p>	<p>Yes, and we are particularly concerned about water activities. These activities are heavily based on features specific to a district including number of usual residents, impervious surface area of a site. Standardising these units of demand could have the potential to result in incorrect levels of demand being used to conduct assessments in parts of the country.</p>
<p>11.1 Does this list [Table 4] capture the main types of residential development that councils typically assess for development contributions?</p>	<p>Regarding the proposal for a separate ancillary or secondary residential unit development type, if a discounted HUE multiplier is to be used to assess for demand, this development type should only apply to a minor residential unit (or a 'granny flat'). For example, it may be that an ancillary residential unit receives a discount of 0.2 HUE from what is set for a standard residential unit with the same number of bedrooms. Furthermore, it is appropriate that if the minor residential unit is converted into a primary residential unit, additional levies should be required to reflect the development type change.</p> <p>While we support a separate development type for attached or multi-unit development, the only activity that should be assessed differently is stormwater.</p> <p>We do not support student or worker accommodation being assessed based on seasonal patterns. It is important that levies are assessed based on peak demand because this is what councils have to provide infrastructure to service.</p> <p>Our Development Contributions Policy separates retirement villages between residential units and care suites. This recognises the differences in care requirements and mobility of the residents. In terms of care suites, community facilities within a retirement village for the predominant use of residents and their guests are not subject to a development contribution requirement.</p> <p>Our policy's definition of residential explicitly excludes guest accommodation because this is a commercial enterprise. Therefore, we would like to see visitor accommodation, particularly hotels and motels, removed from table 4 and included in table 5.</p>

<p>11.2 Are any of the listed development types too broad or too narrow to be useful in practice?</p>	<p>For the stormwater activity only, townhouses and apartments buildings need to be separate categories as these development types likely have very different amounts of impervious surface area per residential unit.</p>
<p>11.3 Are there any residential development types missing from the list? Please specify and describe their characteristics.</p>	<p>No</p>
<p>12.1 Does this list [Table 5] capture the main types of non-residential development that councils typically assess for development contributions?</p>	<p>Our Development Contributions Policy uses narrower land uses for the transport activity than we do for water supply and wastewater.</p> <p>For transport activities we use the following non-residential categories: Commercial premises/offices, retail centres & shops (excluding supermarkets), supermarkets, service stations with retail facilities, hardware, bulky goods (that is, large format retail), drive-in fast food restaurants, fitness centres, medical centres, mixed business & industrial warehousing, motel accommodation within central city and central city edge zones, motel accommodation within other zones, childcare (that is, pre-schools), car showroom, boarding houses/student hostels</p> <p>For water supply and wastewater activities, we use the following non-residential categories: accommodation, commercial, retail, industrial (dry), warehouse, childcare.</p>
<p>12.2 Are any of the listed development types too broad or too narrow to be useful in practice?</p>	<p>The non-residential development types differ significantly from what we model or would ever be able to model. Some of the examples are too broadly grouped. For example, aquatic centres and theatres have drastically different amounts of water use.</p> <p>Consideration should be given to aligning the commercial activities to the Australian and New Zealand Standard Industrial Classification 2006 (cat. no. 1292.0) (ANZSIC06). We note these are the classifications also used by Statistics New Zealand to classify all its data.</p>
<p>12.3 Are there any non-residential development types missing from the list? Please specify and describe their characteristics.</p>	<p>Warehousing needs to be separated out from commercial. Typically, it has been included in industrial, but growth in warehousing is rapidly outpacing traditional industrial and they are quite different in terms of land use and the demand that they create.</p> <p>Early childhood education should be separated from schools and universities.</p>

<p>13.1 What are your views on using the number of bedrooms or gross floor area as indicators of expected occupancy?</p>	<p>We support a bedroom-based approach to assess residential units. Census data shows that the greater the number of bedrooms in a residential unit the more people are likely living in it. The more usual residents in a residential unit, the greater the level of demand on council services. We are unaware of any data supporting a correlation between gross floor area and number of usual residents and consider the proposed bedrooms-based approach the fairest way to apportion demand.</p> <p>A bedroom-based approach also reflects the Council's current practice.</p> <p>We support a consistent definition of a bedroom for use in development levies policies. The definition we use is:</p> <p><i>an area of a residential unit that is capable of being used as a bedroom, including any ancillary rooms, but excluding the following rooms or spaces:</i></p> <ul style="list-style-type: none"> • <i>Kitchen or pantry</i> • <i>Bathroom or toilet</i> • <i>Laundry</i> • <i>Corridor, hallway or lobby</i> • <i>Garage (but including any portion of a garage used as a sleep-out)</i> • <i>A room smaller than 6m²</i> <p><i>One living or dining space in a residential unit, whether open plan with the kitchen or not, will be assessed as a living space. Any additional living or dining spaces capable of being partitioned or closed for privacy will be assessed as a habitable room.</i></p>
<p>13.2 Are there other indicators that better reflect likely service demand for certain types of development?</p>	<p>For residential development bedrooms seems a reasonable predictor as it is the closest indicator to number of likely residents in a property.</p>
<p>13.3 Are there other examples of development types that may warrant differentiated treatment?</p>	<p>Under the development levies system, councils need to be enabled to carry out a special assessment in instances where a development is expected to generate demand significantly outside the average built into the policy. It would be helpful if legislation also set a threshold for when a special assessment should be provided, for example half of expected demand.</p>

	<p>We currently use special assessments in instances where a proposed development is not appropriately covered by a development type outlined in the policy and we therefore cannot use the policy's set HUE multipliers. Developments for which the Council requires a special assessment, for some or all activities, includes wet industry facilities, hospitals and sports stadiums.</p> <p>We also undertake special assessments where the development is expected to place demand on council networks that is more than double or less than half the identified average demand for that type of development as set out in policy.</p> <p>A special assessment is only completed for the activities the Council considers one is required. All other activities are assessed using the HUE multipliers set out in the policy. A special assessment will always be undertaken on the assumption that the development will operate at its full capacity. No adjustment will be considered for the development operating at a level below full capacity. This is because the Council must provide infrastructure appropriate for peak demand.</p> <p>We ask that the deductions for non-standard design provisions (s211ZB) be removed from the final bill and replaced with the ability to undertake a special assessment. The provisions of the exposure draft risks embedding significant under-recovery into the development levy system. We consider this issue is best dealt with via a special assessment and only in instances where the development puts significantly less demand on infrastructure than otherwise assumed.</p>
<p>14.1 What further information would you like to see in a disclosure scheme?</p>	<p>We note term 'remission' is used differently by different councils in their development contributions policies. The Council's policy uses the term 'remission' to refer to the Council intervening on a development contributions assessment when there is something about the development that has not been considered in drafting the policy and therefore the Council considers it necessary to address an aspect of the assessment via a remission. Essentially, a remission is the waiving of a development contribution requirement.</p> <p>Some councils use the term 'remission' to refer to an actual demand remission - where demand is materially different to the assumed demand built into the policy. The Council's policy refers to this as a special assessment, as outlined above.</p>

	<p>We support the proposed requirement for councils to report on remissions and the resulting rating impact. It is not fair for other developers to cover the development levy revenue that a council has opted to not collect, and remissions need to be appropriately recognised as revenue forgone.</p>
<p>15.1 What approach do you think is most appropriate for setting the administration fee: a fixed amount (per application or reassessment for example) a formula-based calculation (based on staff hourly rate or percentage of levy charge for example) a sliding scale?</p>	<p>Councils need to be able to recover the administration costs associated with development contributions from developers. Compared to development contributions, development levies will bring about additional administrative complexity and incur additional costs to maintain an effective and compliant development levy system. The full costs the Council incurs in administering a development levies policy should be recovered from developers through a separate administration fee. We note this is in line with the rates cap policy proposals. We support this being a fixed amount per development, with the addition of a scalable charge for complex developments, such as large subdivisions.</p>
<p>15.2 Are there any risks or unintended consequences of introducing an administration charge that we should consider?</p>	<p>An administration fee should be charged per development, not per assessment or consent. Clarification will be required for when this is to be paid. We suggest at the time of invoicing for the development levy requirement to be the most appropriate.</p>
<p>16.1 For councils: what types of intangible assets do you currently include when calculating development contributions?</p>	<p>The Council currently uses third party provider to produce schedule of assets and development contributions charges. We use an excel ready reckoner to conduct the assessments.</p>
<p>16.2 Which intangible assets do you think should be included in the levy calculation?</p>	<p>Producing and maintaining the models that produce schedule of assets and development levy charges. Any tools councils use to produce development levy assessments.</p>
<p>16.3 Are there any intangible assets you believe should not be included in the levy calculation?</p>	<p>We are not aware of any.</p>
<p>17.1 Are there specific aspects of the levy regulations that you would like the opportunity to provide input on?</p>	<p>DIA need to engage with councils on a workspace set of development types and the agreed assumed demand for each of these types. It is also important that DIA understand the nuances between the activities – what will work for reserves, for example, will not work for water supply.</p>

	Councils need to be able to opt out of the regulations related to defining and allocating units of demand and allocating project costs between growth and other purposes if what is set is sufficiently different for that district.
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