

20/02/2025

Te Tūāpapa Kura Kāinga Ministry of Housing and Urban Development
Department of Internal Affairs
Wellington
Email: development.levies@dia.govt.nz



Dear Sir/Madam

SUBMISSION ON DEVELOPMENT LEVIES

Thank you for the opportunity to submit on the consultation document 'Supporting Growth Through a Development Levies System' and the exposure draft of the legislation 'Local Government (Infrastructure Funding) Amendment Bill'.

Overall Matamata-Piako District Council (MPDC) is supportive of the move to development levies but considers changes are required to ensure effective implementation. MPDC also questions whether some requirements will be cost effective and proportionate for smaller councils. MPDC supports the submissions lodged by Taituarā and the Development Contributions Working Group (DCWG) – Executive Panel's collective practitioner feedback.

Matamata-Piako District Council (MPDC) is located in the center of the golden triangle of Auckland, Hamilton and Tauranga. Its proximity to major centers and its comparatively affordable house prices means it continues to experience growth. The main towns in the district being Matamata, Morrinsville and Te Aroha are separated at some distance from each other. This means while the communities share the same transport network and some community facilities, the three waters systems are confined to each town. The geography of the District and the size of the towns has meant each town has formed its own development contributions catchment. In particular, there are quite distinct catchments for water and wastewater servicing. This approach has served the District well. Whilst MPDC is supportive of the transition to development levies, it does have some concerns including the overall presumption of one levy area per leviable service in each District.

MPDC has the following comments to make:

1. **Purpose and principles**

MPDC **supports** the addition of the new principle of '*Economic efficiency*' which is: *Development levies should distribute growth costs in a manner that encourages the development of efficient infrastructure networks.*

MPDC agrees the development of efficient infrastructure networks is an important concept and it should be retained.

Relief sought: Retain the new principle of economic efficiency.

2. **Development levy policy**

MPDC **supports** in principle levies applying from the date of notification rather than the date the policy is adopted. When levies are proposed to increase it will reduce the level of gaming and the gold rush prior to levy increases. Most importantly, it will better support the funding for infrastructure identified in the infrastructure strategy and the LTP.

Relief sought: Retain the principle of applying development levies from the date of notification.

3. Levy areas

MPDC **questions** the overall presumption of one levy area per leviable service per district.

Whilst it's understood that the approach may work well for places like Hamilton City and Tauranga City where there is one large urban area, it's questioned how effective it will be for districts with multiple towns. For MPDC, it will mean there will be significant cross subsidisation between towns which will result in higher costs for some towns than would otherwise be the case.

MPDC considers a simpler and more effective way of reducing cross subsidisation is to have one levy area per leviable service per related community. Relying on tools like high-cost overlays or providing reasons for additional levy areas to address this issue adds complexity and increases liability.

MPDC notes if a Council proposes to have more than one levy area in a district it must have a good reason and it must not establish more than one levy area in a single urban community. In S211H Levy Areas in the exposure draft of the Local Government (Infrastructure Funding) Amendment Bill the definition for a related 'urban' community is:

Means urban communities between which people routinely travel for the purposes of employment, leisure, or access to leviable services.

MPDC requests 'urban' is removed from this definition. The reason for this is leviable services do extend into adjoining rural areas and its important development levies are still able to be collected from these areas.

Relief sought: For the reasons stated above, reconsider whether there is benefit in removing the overall presumption of one levy area per leviable service per district. As a less desirable alternative, consider whether clarification can be provided in the regulations as to the circumstances where more than one levy area can be provided.

In S211H (6) Levy areas remove the word 'urban' from the definition of related urban communities so development levies are still able to be collected from adjoining rural areas serviced by leviable services.

4. High-Cost Overlays

MPDC understands in S211J its proposed to enable the establishment of one or more high-cost overlays within a levy area if there are substantial differences in the growth costs of providing a leviable service in a levy area.

MPDC supports the concept of high-cost overlays to provide an option where the costs involved for a project maybe significantly more than identified in the levy area. Examples include for the approval of a 'Fast Track' application which results in unanticipated and significant ongoing costs. For the reasons expressed in 3. MPDC considers the option should also be available to establish more than one levy area per leviable service per district.

In Section 211J High-Cost Overlays, MPDC questions whether the word 'substantial' should be changed to 'significant'. Significant is a term that is used elsewhere in the Local Government Act and on the face of it, it would seem prudent to use the same term rather than introduce a new term.



Relief sought: Section 211J replace the word 'substantial' with the word 'significant'.

5. Standardised Units of Demand

MPDC is concerned with the proposal to relate residential demand to the number of bedrooms. This will lead to people 'gaming' and saying rooms are 'offices' when they can be occupied as bedrooms. Additionally, the number of bedrooms does not necessarily equate to an increase in demand on services as some bedrooms may not be occupied on a regular basis. For these reasons, the proposed approach will lead to interpretation issues and compliance and enforcement.

MPDC currently uses average number of people per household as a measure and would prefer to continue the current approach. Whilst the approach may lead to under collection in some cases it does not have the interpretation, enforcement and compliance issues as identified above.

Relief sought: Amend the approach for standardised units of demand so that it's based on the average household size in the District. As a less desirable alternative, include a definition of bedrooms to reduce interpretation and future compliance issues.

6. Bespoke Levy Assessments

MPDC notes S211ZZ lists a range of circumstances where developers can request bespoke levy assessments. One of the circumstances in S211ZZ (c) is where developments within a development levy area are a restricted discretionary activity and the provision of infrastructure is a matter of discretion.

MPDC is concerned this criterion will lead to a significant increase in the request for bespoke assessments with the associated administrative costs. MPDC is of the opinion the criteria for bespoke assessments should relate to circumstances that are more unique and notes subdivision in most district plans is listed as a restricted discretionary activity.

Relief sought: Remove S211ZZ (c) the restricted discretionary activity subdivision criteria from the list of matters where bespoke assessments can be applied for.

7. First mover developments

MPDC considers further clarification is required on the provisions in the exposure draft of the legislation for first mover developments. MPDC is of the opinion that amendments are required to ensure the "banking" of the first mover portion is limited to additional costs incurred by upsizing and there is clear criteria to assist in identifying the area that will benefit.

MPDC also questions why the infrastructure is limited to developments that are on or under land. For instance, does this mean a bridge / culvert would not qualify as arguably the infrastructure is 'above' land.

MPDC also considers it is unclear as to the purpose of setting a time limit in (5) as it may take some time for any further development to occur. MPDC also



assumes the value of the works undertaken would not change over time and would be set at the time the infrastructure was constructed and developed. Further regulations on these issues would assist in consistent administration of these provisions.

Relief sought: Consider whether further amendments are required to address the matters raised either in the legislation or in regulations.

8. Use of development levies for reserves

S211R of the exposure draft of the legislation states a Territorial Authority must use reserve development levies for the purchase or development of reserves within the district. The section clarifies it includes land to be held for conservation purposes under the Reserves Act.

MPDC queries the current wording in the exposure draft of the Bill as there is no classification “for conservation purposes” under the Reserves Act. MPDC requests the classifications in the Reserves Act are used.

MPDC considers the implementation of S211V Cap on Development Levies for Reserves will be difficult without clear direction on how the value of the allotment / additional household unit or accommodation unit will be determined. Consideration should be given to adding definitions/ method to assist in implementation. If there is no definition there will be constant debates as a developer's view on the value will be different than the Council's.

MPDC also seeks clarification as to whether levies will be able to be used to acquire or develop ‘parks’ as defined in section 138(2) LGA where parks are defined as: “*land acquired or used principally for community, recreational, environmental, cultural, or spiritual purposes*” but not held under the Reserves Act 1977. MPDC is concerned the current approach is restrictive and would exclude circumstances where there are council and community partnerships to develop land for a range of community facilities.

Relief sought: Reconsider the drafting of S211R so its aligned with the reserve classification system under the Reserves Act, provide definitions/methods to address the issues raised and assist in the implementation of S211V, and provide for development levies to be used for the acquisition and development of parks under S.138(2) LGA.

9. Deductions for developments that use non-standard designs

Where a non-standard design is used Subsection (3) requires a Council to reduce the development levy by an amount that is proportionate to the reduction in demand for that leviable service.

MPDC is concerned about the financial effect of deductions and the impact it will have because there will be no way of predetermining where and when deductions will apply and inevitably the flow on cost will fall onto ratepayers.

MPDC also notes this is an issue raised in the Development Contributions Working Group (DCWG) – Executive Panel’s collective practitioner feedback.



Relief sought: Reconsider the provisions for deductions for non-standard designs to address the matters raised by MPDC and the issues raised by the DCWG feedback.

10. Section 211ZZO(h) Regulations for purposes of development levies

Section 211ZZO(h) requires information related to the assessment, remission, collection and expenditure of development levies to be included as part of the Council's Annual Report. This is more than what is currently required and included in Annual Reports. Whilst MPDC appreciates the need for transparency, it will require additional resources and systems to track the requirements. If the information is included in the Annual Report (as opposed to being published on the Council's website or some other form), it will extend the scope and costs of the external audit of the Annual Report. These costs are already a significant cost to ratepayers in the District.

Relief sought: Reconsider whether it's necessary for all councils to include information on the assessment, remission, collection and expenditure of development levies in their Annual Reports.

11. Independent regulator

MPDC supports in principle the concept of an independent regulator. Whilst MPDC is supportive, it's concerned about increased costs and questions whether there is a doubling up of auditing functions with the LTP.

MPDC requests further consideration be given to the costs associated with an independent regulator and whether that cost is fair and reasonable for all councils. An alternative approach could be to include criteria to identify when there is a need for an independent regulator e.g. an increase in development levies over a certain percentage, or to include an approach with reduced costs for Tier 3 councils and below that generally have less growth.

If the proposed system is retained, it will be costly and resource heavy for councils. Given the increased costs, MPDC requests consideration be given to reducing other areas that Audit NZ checks.

Relief sought: Reconsider whether there is a more cost-effective approach particularly for Tier 3 councils and below who have lower levels of growth. If the present approach is retained, consider whether there can be a more streamlined approach to the areas that Audit NZ checks to reduce costs and avoid duplications.

12. Implementation of development levies

MPDC has a few further comments/questions on the transition to the new development levy system.

It would be preferable to align the timing of the introduction of development levy system with LTP cycles. It's noted the next LTP is due in 2027 then in 2030. The consultation document indicates councils will be able to begin to charge development levies from 2028 with development contributions being replaced in July 2030. MPDC notes 2028 does not align with LTP cycle.



MPDC understands the 2028 date is discretionary and its important this is maintained.

MPDC collects reserves contributions under the RMA provisions for financial contributions. Under RM reform its intended from December 2029 existing district plans will be replaced by orders in council with natural environment plans and land use plans. MPDC is concerned there is a misalignment between the reform processes with development contributions not replacing development levies until July 2030. Transitional provisions are required to address this matter.

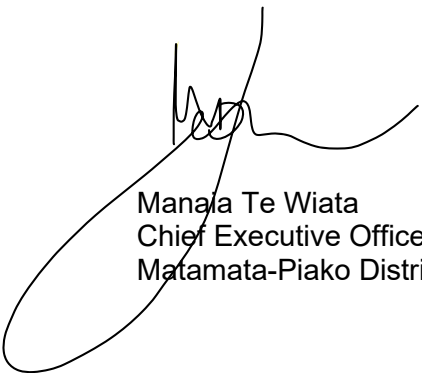
When it sets its annual fees and charges, MPDC updates development contribution charges with the Producer Price Index ('PPI'). MPDC queries whether the same approach will be able to be used. If not, how will the levy charges keep pace with price fluctuations between LTP cycles?

Relief sought: Align the introduction of development levy system with LTP cycles. If the July 2028 date is kept, ensure it is discretionary otherwise councils will have to replace the DC policy one year into a LTP cycle which will be costly. Consider the misalignment between this reform process and RM reform and provide for transitional provisions to address this issue. In addition, clarify whether development levies can be adjusted annually in the fees and charges with the PPI.

MPDC appreciates the opportunity to provide feedback. Retrospective approval of this feedback will be sort from Council at the next available Council meeting. MPDC looks forwards to the next steps and welcomes the opportunity to comment on any issues raised in this submission.

Should you have any queries regarding this submission, please contact Fiona Hill, Team Leader, RMA Policy in the first instance, on fhill@mpdc.govt.nz.

Yours faithfully



Manana Te Wiata
Chief Executive Officer
Matamata-Piako District Council