

Submission to Te Tūāpapa Kura Kāinga and the Department of Internal Affairs



Supporting Growth Through a Development Levies System

20 February 2026

Introduction

The Timaru District Council (the Council) thanks Te Tūāpapa Kura Kāinga and the Department of Internal Affairs for the opportunity to submit on the consultation document: *Supporting Growth Through a Development Levies System*.

This submission is made by the Timaru District Council, 2 King George Place, Timaru. The submission has been endorsed by the Mayor and Councillors. The contact person for Council is Nigel Bowen, Mayor of the Timaru District, who can be contacted at Timaru District Council, phone (03) 687 7200 or PO Box 522, Timaru 7940.

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Overview of the Timaru District

The Timaru District Council is a local authority in the South Island serving over 50,000 people in South Canterbury. The main settlement is Timaru, with other smaller settlements of Geraldine, Pleasant Point and Temuka.

Like many districts, the Timaru District has grappled with ways to provide for growth and supporting infrastructure within the existing legislative toolbox. Being a rural-provincial district has meant that Council has sought to encourage growth and attract new businesses and residents.

The changing legislative landscape has meant that this approach is no longer affordable and for the district to continue to succeed we must continue to look for new ways to be competitive. Accordingly, Council takes an active interest in the current reform process and seeks to influence these changes to allow for our district to be successful moving forward.

General comments

Timaru District Council supports change that will enable efficient and balanced housing growth within communities throughout New Zealand. This support extends to the introduction of methods such as development levies, as long as they establish more effective

methods for councils to utilise in apportioning growth-related costs to the development that generates the expenditure.

A fair and transparent system is supported, with such a system allowing for better outcomes for councils and developers alike. Ensuring such a system is established in a manner that can be applied easily throughout the country will be critical to its success. In particular, Council does not wish to see a system that burdens staff through excessive regulation with additional associated costs attributed to ratepayers.

Predicting growth and its infrastructure needs under a more flexible planning system is not an exact science. The proposed system could increase risk for councils if assumptions of growth and necessary infrastructure are not right. The effectiveness of the levy system will depend on strong alignment with spatial plans, Future Development Strategies, and infrastructure strategies.

Additionally, there is an opportunity to capture more infrastructure within the development levies system. Regional assets such as flood protection and drainage schemes, public transport infrastructure and environmental infrastructure all support growth. Additionally, land use changes in the rural environment also generate growth and demand. These can increasingly impact on the ability of councils to meet demand when it comes to providing rural networks, such as roading and water.

As noted within the discussion document, this new tool will be utilised by water entities; therefore, Council seeks that sufficient direction is provided throughout the legislative development phase to ensure that the new system is able to be implemented in a timely manner whilst such entities are being established. This will ensure all users of the new levy system are utilising the same methodologies and data in developing new policy and implementation methods and processes.

Council believes that the rapid change that is being proposed across local government requires government departments to be cognisant of all changes so that the wider system that is being sought has the fundamental building blocks to ensure success. Historically, a lack of direction and support in implementation of new legislation has meant failure in delivery on the ground, resulting in cost being borne by ratepayers. Council seeks that this change is developed and implemented in a manner that ensures it is easily implementable and fits within the new system that is being developed, ensuring all change processes are successful and not subject to constant change.

Response to consultation questions

Question 1

1.1 Do you have any feedback on why development levies are needed?

1.2 Do you have any feedback on the overall approach for development levies?

Development levies will ensure transparency and reduce litigation, allowing for all sectors to better understand the true cost of development. Such a shift will be challenging, and appropriate support and direction will be required throughout the implementation phase. The introduction of this legislation will ensure all councils are applying the same framework, and therefore, the roll-out across the country must be supported with best practice examples and guidance as suggested by proposed regulations.

Council agrees there should be a more strategic and coordinated approach to infrastructure planning across central government, local government, and industry stakeholders to reduce duplication and improve alignment between policy settings, funding mechanisms, and infrastructure delivery. The proposed development levy system's effectiveness will depend not only on its design in isolation, but on how well it is integrated with the wider planning framework, particularly spatial planning, Future Development Strategies, and infrastructure strategies.

Question 2

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? How might this impact council's ability to set high-cost overlays?

The consultation document acknowledges that growth forecasting and infrastructure planning are inherently uncertain, particularly in a more permissive planning environment as signalled through the proposed Planning and Natural Environment Bills. This will create a level of uncertainty when developing new policies.

We also note that the financial contributions regime has not been addressed in the proposed levy system or the draft Planning Bill. Further clarity is required on how this regime will interact with development levies and future planning reform, or whether the intention is to remove these as a tool entirely. This further creates the need to be able to apply high-cost overlays if the ability to utilise financial contributions is removed and creates challenges around councils' ability to implement.

The shift from groups of development to a new nexus between all development and aggregate growth-related infrastructure costs across the short to medium term should in theory support a council's ability to set high-cost overlays. It is anticipated that high-cost overlays would only be necessary in situations where extensive additional infrastructure is needed to support growth. Allowing this to be differentiated from the 'day-to-day' works which will be driven by short-medium term projections will enable council's to shift the

horizon and plan for this through the use of high-cost overlays to limit the impact of a council having to act as the bank for growth related expansionary infrastructure.

Question 3

3.1 Are there other ways that development agreements could be strengthened?

There would be merit in providing a mechanism to ensure that the impact of the proposal is not affecting the wider ratepayer base. The freeing of constraints on development will result in additional pressure on councils to expedite works that will not align with Long Term Plans. In such instances it is not reasonable for the ratepayer to bear these costs through councils acting as the banker beyond what is reasonably planned.

Question 4

4.1 Are there other situations where bespoke levy assessments should be triggered?

Development agreements may be appropriate in a number of situations, including where a development occurs out of sequence or at a density (generates a demand) that exceeds the basis a levy has been calculated on. As the wider resource management framework is reformed there needs to be flexibility in the tools available to councils to ensure growth pays for growth.

Question 5

5.1 Can you provide case studies or examples that are representative of first mover developments?

5.2 Are there other ways of ensuring fairness to first mover developments?

Council cannot draw on examples of first mover developments but does support the intent of creating a mechanism to recognise this situation. Ensuring fairness for first mover developments will support further growth, especially when infrastructure such as roads will benefit neighbouring landowners. Such situations arise when growth is occurring on fragmented land, with the inability of first movers to gain a return on the infrastructure they install often preventing growth occurring.

Question 6

6.1 What process could we put in place to provide clarity about the differences between the anticipated and actual use of levy funds?

This point will be critical to effective implementation.

Question 7

7.1 Do you agree with the proposed topics for which regulation-making powers would be established?

7.2 Are there any unexpected or unintended impacts you think could result from standardising these parts of the development contributions system?

7.3 What other aspects of the current development contribution system could benefit from regulations or standardisation?

Council supports the suggested regulations and emphasises the need for these to be established early to allow for the effective implementation of new policies.

Specific consideration is requested in relation to administrative charges and the need for these to cover all associated costs, including any auditing. Council's experience is that more regulations result in additional costs to ensure implementation and the associated auditing by independent parties. In many instances these costs are covered by corporate overheads, meaning that the intent of the overarching policy can be lost.

Council is also interested in further understanding how the regulation will apply to intangible assets. Intangible assets can often be costly when associated with the management of infrastructure. Will this concept extend to matters such as consents and document management systems which can add significant costs and overheads to the delivery of these services?

Question 8

8.1 What time period would be suitable for moving to development levies?

8.2 How can the phase-in to development levies be used to manage the impact on developers?

8.3 How do you think the phase-in proposals above would affect councils' ability to fund the infrastructure necessary to provide for growth?

Council is relatively unique in that it current does not operate a Development Contributions Policy. Accordingly, the impact of phasing in this new policy will be relatively stark for our communities. With the anticipated loss of financial contributions through resource management reform, there is a need for councils like ours to transition in a quick and effective manner to not burden ratepayers during any period where financial contributions cease to exist.

If development levies are to be implemented there needs to be the ability for councils such as Timaru to rapidly transition. The risk with a slow transition is ratepayer exposure in an environment where councils may also be grappling with rates capping. The integration of development levies across the wider reform process needs to be well planned to ensure integration and effective implementation.

Question 9

9.1 What would be the impact of standardising how the maximum cost attributable to renewal should be determined?

9.2 What should be considered in assigning benefit to existing communities versus development?

Until the approach is applied to real-life examples it is hard to fully understand the outcomes that will be achieved. Within smaller urban centres such as Timaru there may be some

challenges in apportioning growth components to existing work programs. In this way the approach may not be that successful in smaller urban areas that experience comparatively low growth when compared to larger urban centres.

Question 10

- 10.1 To what extent would greater national consistency in interpreting units of demand improve clarity, fairness, and comparability of development levies across councils?**
- 10.2 How much flexibility should regulations allow in reflecting local conditions such as density, geography, or service delivery models?**
- 10.3 Are there risks in fully standardising both measurements and values for units of demand across all councils?**

Council supports the use of consistent measurement phrases but believes flexibility in the quantum of the measurements should be retained to recognise local conditions. The risk associated with standardising both measurements and values, is that these may not truly reflect the environment present, resulting in under or over capture of contributions.

Question 11

- 11.1 Does this list capture the main types of residential development that councils typically assess for development contributions?**
- 11.2 Are any of the listed development types too broad or too narrow to be useful in practice?**
- 11.3 Are there any residential development types missing from the list? Please specify and describe their characteristics?**

The list appears to be comprehensive for our district.

Question 12

- 12.1 Does this list capture the main types of non-residential development that councils typically assess for development contributions?**
- 12.2 Are any of the listed development types too broad or too narrow to be useful in practice?**
- 12.3 Are there any non-residential development types missing from the list? Please specify and describe their characteristics.**

The list appears to be comprehensive for our district.

Question 13

- 13.1 What are your views on using the number of bedrooms or gross floor area as indicators of expected occupancy?**
- 13.2 Are there other indicators that better reflect likely service demand for certain types of development?**
- 13.3 Are there other examples of development types that may warrant differentiated treatment?**

Council supports the use of bedrooms as an indicator for residential uses. Gross floor area is a more challenging proposition as different commercial uses will generate different demands, and a gross floor area would likely capture all uses at the highest anticipated use.

At this stage Council does not have suggestions of different metrics that could be used as indicators of expected occupancy. However, the notion that applying demand adjustments to the units of demand for the likes of student accommodation (to reflect it being vacant during periods) is questioned.

When planning a network councils must do so based on the maximum occupancy or use of a building or site; therefore, any reduction based on reduced demand will result in an impact in councils being able to recover the full cost of assessed growth i.e. the network will still need to be designed for the maximum use.

Question 14

14.1 What further information would you like to see in a disclosure scheme?

Council supports the use of standardised reporting templates that are able to be easily integrated with existing council systems. The regulations should be clear and clearly inform the information requirements for any disclosure statement. There should be a focus on reporting on anticipated versus actual revenue, that can be refined overtime. Any reporting should also support evidence-based adjustments to levy rates and zones that speak to changes in on-the-ground demand.

Question 15

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?**

15.2 Are there any risks or unintended consequences of introducing an administration charge that we should consider?

Council does not hold a fixed view and suggests that this question will be easier to answer as more details become available as to the likely resources needed to run the new system. With this in mind it is likely that a formula or sliding scale will provide better opportunities for councils to recover the true costs of administering this system, as it will allow for variation based on the scale of the activity. A failure to truly capture these costs is likely to undermine the overall policy intent.

Question 16

16.1 For councils: what type of intangible assets do you currently include when calculating development contributions?

16.2 Which tangible assets do you think should be included in the levy calculation?

16.3 Are there any intangible assets you believe should not be included in the levy calculation?

Council does not currently recover any costs associated with intangible assets. Council supports the ability to recover costs on intangible assets and believes these should include asset management systems and key documents such as asset management plans and necessary consents.

Question 17

17.1 Are there specific aspects of the levy regulations that you would like the opportunity to provide input on?

Council is willing to provide feedback on any of the regulations so as to support the development of a system that is right sized for all councils. As a smaller council with both urban and rural demand, there is a unique opportunity for us to provide input into how development levies could be utilised in ensuring all growth is captured. The change in all land uses is resulting in greater demand on infrastructure not just urban growth.

Conclusion

Thank you again for the opportunity to submit on this proposal. Please do not hesitate to contact us if you have any questions or wish to discuss aspects further.

Ngā mihi



Nigel Bowen
Mayor