

Going for Housing Growth

Overview of the proposed approach to the development levies system

(as outlined in the consultation document [Going for Housing Growth: Supporting Growth Through a Development Levies System](#))

Purpose & principles

To enable territorial authorities (TAs) to recover from developments the cost of capital expenditure necessary to provide capacity for growth.

Six principles based on – necessity, sufficiency, proportionality, particularity, transparency and economic efficiency.

Development levies policy

TAs (councils), must prepare a development levies policy that:

- explains the strategy and plan for using the land (e.g. alignment with Future Development Strategy).
- explains how development levies are calculated, the method used, and on what basis.
- sets out what the levies are, where they apply and what infrastructure projects and programmes they will help fund.

The LGA02 special consultative procedure must be used when preparing (and reviewing 3-yearly) the policy (comes into effect at notification).

Development levies requirement

Councils can require development levies when a resource consent is granted, a building consent is granted, a certificate of acceptance (COA) is issued, a project information memorandum (PIM) (for a non-consented small stand-alone dwelling) is issued, or when an authorisation for a service connection is granted.

Levy areas & high-cost overlays

Development levies will be charged across “levy areas” covering an entire community – levies charged within a levy area must be used to meet the growth costs of infrastructure across the whole levy area.

Levies must be centred on an urban community but can include related urban communities, or unrelated communities that rely on the same physical infrastructure network. The area may extend into surrounding rural land that benefits from the service the levy is required for.

Some parts of a levy area may have higher growth costs for some services – councils must consider “high-cost overlays” (sub-area where infrastructure costs are significantly higher and additional charges apply).

Councils must set a levy area for each service they are levying (the leviable services are water, wastewater, stormwater, transport, reserves and community infrastructure), with levies based on overall expected growth costs.

Due to its scale, Auckland is an exception to the requirement for a levy area to cover an entire town or city – it will be required to set more than one levy area for each levy service. Watercare is responsible for water and wastewater provision.

How levies are determined

The levy rate for each service is calculated in three steps:

1. Identify recoverable growth costs in the levy area:

- identify eligible capital projects that provide capacity for growth and determine project-level growth costs using the allocation methodology
- add financing costs to project-level growth costs
- aggregate project-level growth costs to programme level

2. Calculate the base levy rate (divide programme growth costs by total expected growth units e.g. HUEs).

3. Apply adjustments (external funding, credits, reductions, remissions).

Assessment & charging

- Levies assessed when council is notified of development and charged (lump-sum) when e.g. consent is granted.
- Process for reconsiderations and objections.
- Councils can offer (but must report on the cost of) remissions.
- Reduction in levies may be provided where there is a materially lesser demand for infrastructure than anticipated in the policy.
- Charged levies are subject to quarterly interest until paid and to reassessment after 3 years (then when a change in policy).
- Councils can impose an administrative charge for assessing levies.
- Enforcement of levy payment through withholding certificates and connections and registering unpaid levy as statutory land charge.

Development agreements

A council and developer can enter into a contractual agreement that outlines the specific details for providing infrastructure or land for a development where the project's needs don't align with a council's standard infrastructure provision timeframes.

Bespoke levy assessments

Levies may need to be collected for development outside an established levy area or in places where infrastructure is not planned for many years. The process for carrying out a bespoke assessment will differ to the standard process.

Where a first mover developer builds infrastructure that supports future development beyond their own site, a council can reimburse them using levy revenue based on set conditions.

Use of development levy revenue

Levies must be applied to the purpose for which they were taken and for the benefit of the levy area from which they were taken. The additional levy for a high-cost overlay is to be applied to works that benefit the land within the overlay.

Regulations

Regulations will enable standardised practices and improve transparency and may include:

- defining and allocating units of demand
- allocating project costs between growth and other purposes
- specifying the methods for allocating assessed levy income
- setting administration charges
- information disclosure requirements
- treatment of intangible assets
- record-keeping obligations

Regulator

The Government is considering independent, centralised, regulation of development levies.

Transition

Transitional provisions include:

- a phased-in approach over 3 years to give councils time to prepare and consult on development levies policies
- a phased price increase across 3 years (to reduce the risk to developers from unanticipated cost increases).