DUNEDIN CITY COUNCIL | kaunihera a-rohe o Ōtepoti

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Finance and Expenditure Committee
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DUNEDIN CITY COUNCIL SUBMISSION ON THE INFRASTRUCTURE FUNDING AND FINANCING AMENDMENTS BILL

1. The Dunedin City Council (DCC) welcomes the opportunity to submit on the Infrastructure Funding and Financing Amendments Bill (the Bill). DCC's submission draws on practical experience delivering and maintaining local infrastructure, and on the importance of aligning development settings with affordable infrastructure financing tools and long-term network performance.

2. DCC supports the principle that *growth should pay for growth*, and the intent of the Infrastructure Funding and Financing (IFF) framework to enable timely infrastructure delivery to support growth, independent of Council funding constraints. DCC stresses the importance that reforms consider councils' ability to plan, sequence and deliver infrastructure in a way that is cost-effective over the long term, and that avoids shifting costs and liabilities onto existing communities.

A. Infrastructure efficiency and long-term affordability as a central system objective

3. We are concerned that a planning system focused on enabling responsiveness will likely result in urban expansion in locations where infrastructure cannot be efficiently provided. Although Councils do not directly fund infrastructure delivered under the IFF framework, the Bill may facilitate the development of networks that are inefficient or poorly integrated. In the context of 3 Waters, responsive planning is likely to create pressure for either small-scale, stand-alone water and wastewater treatment, reticulation, and disposal systems that are disconnected from metropolitan networks, or for long network extensions to service rezoned rural land distant from existing urban boundaries. Both outcomes are significantly less cost-effective and less infrastructure-efficient than intensification of existing urban areas, rezoning within urban limits, or development at defined urban–rural boundaries.

4. DCC operating cost data shows that:

- Producing water for small-scale rural schemes is typically 4.5 times more expensive than for metropolitan systems.
- Treating and disposing of wastewater is approximately 7.5 times more expensive for rural schemes than urban equivalents.

5. Dunedin's context illustrates the importance of a strong focus on long-term infrastructure efficiency. The city faces a substantial programme of required 3 Waters upgrades and relatively modest growth, with growth able to be accommodated within existing zoned areas. Under the Bill, there is a risk that developers may propose infrastructure that is not required from a network efficiency perspective, yet Councils may be required to endorse it if it is technically compatible with existing systems. This creates a pathway for inefficient greenfield infrastructure or poorly integrated networks, resulting in higher long-term operational and maintenance costs and reduced network performance. Ultimately, these costs are likely to be borne by existing and future ratepayers.

Recommendation 1: DCC recommends that decision criteria and guidance for use of IFF tools require clear demonstration of whole-of-life infrastructure efficiency and long-term affordability, rather than focusing narrowly on enabling development at pace.

B. The practical operation of "growth pays for growth" and the need for location-specific charging

6. DCC observes that the costs of servicing growth vary sharply by location, including due to topography, land stability, distance from existing networks, and existing urban form. This is particularly evident across three waters and transport where additional capacity upgrades or extensions may be required for new growth areas.

7. DCC also observes that "growth pays for growth" functions most effectively when higher-cost growth areas bear higher costs. DCC supports the beneficiaries-pay model underpinning the IFF framework, however it is important that beneficiaries are clearly defined and levy charges are transparent and affordable.

Recommendation 2: DCC recommends that the Bill and associated guidance support transparent, cost-reflective, location-specific cost recovery approaches so that higher-cost locations can bear higher costs, and cross-subsidy is minimised.

C. Council decision-making and long-term liability management

8. DCC observes that unanticipated or out-of-sequence development proposals can materially affect infrastructure funding, sequencing and delivery. This is because network infrastructure is planned and delivered as an integrated system: the location and timing of growth influences when upgrades are required, the scale and configuration of those upgrades, and whether assets can be delivered efficiently as part of a coherent programme. Where development proceeds ahead of planned servicing, councils can face pressure to bring forward upgrades, expand scope, or adopt interim solutions that are less efficient than planned investments. It can also lock councils into investment pathways that are shaped by the immediate requirements of a particular growth proposal, rather than by a longer-term optimisation of network performance, affordability, and risk. In practice, this can translate into higher capital costs, higher operating and maintenance costs, and reduced flexibility in future years.

9. DCC also observes that where infrastructure is delivered privately (or through bespoke arrangements), councils can face significant long-term exposure if roles, standards and acceptance processes are not clear. Even where the initial intent is that "growth pays", councils may still inherit liabilities through later integration into public networks, through expectations of ongoing service continuity, or through asset handover and maintenance arrangements. This exposure is most acute where the infrastructure was not

designed to consistent standards, where quality assurance is incomplete, or where responsibilities for renewal and long-term performance are ambiguous.

10. DCC therefore emphasises the importance of council "priority" in practice: the ability to protect the integrity of core networks, apply consistent infrastructure standards, manage investment sequencing within affordability constraints, and avoid inheriting liabilities where infrastructure delivery sits outside standard assurance and asset acceptance processes. This is a mechanism for protecting long-term public value from infrastructure investment and for ensuring that communities are not left funding remediation, retrofits, or long-run maintenance burdens arising from early-stage decisions made under development pressure.

11. DCC further notes that meaningful council decision-making is closely connected to the credibility of "growth pays for growth". Where councils can manage location, timing, and standards—and can decline proposals that impose disproportionate or inefficient servicing costs—cost recovery tools can function as intended and price signals can guide development toward infrastructure-efficient locations. Where that decision-making role is weakened, cost recovery tools can become a partial remedy at best, because the system may still be required to accommodate inefficient locations, fragmented networks, or upgrades that must be delivered regardless of value-for-money.

12. DCC supports increased use of IFF tools under appropriate Council oversight however recognises the increased administrative burden and technical expertise required to assess and endorse infrastructure proposals, overseeing levy collection and ensuring compliance.

Recommendation 3: DCC recommends that implementation settings preserve meaningful council ability to apply infrastructure efficiency and affordability tests to unanticipated or out-of-sequence proposals, including where servicing would require disproportionate upgrades, create inefficient network outcomes, or materially affect long-term rates.
Recommendation 4: DCC also recommends that councils are not placed in a position of inheriting long-term maintenance and renewal liabilities without clear oversight, enforceable standards, and robust acceptance processes for any assets that connect to or become part of public networks.

D. Accelerated pathways and the quality and integration of private infrastructure

13. DCC observes that accelerated consenting pathways can create practical challenges where private infrastructure is delivered at speed but will ultimately connect to public networks or is expected to meet public service standards. In those cases, integration and quality assurance is central to long-term network performance and to managing public liabilities.

14. DCC notes the importance of ensuring councils have a practical role in confirming infrastructure standards and network integration requirements, and that asset acceptance or vesting is linked to enforceable performance and quality criteria. Clear responsibilities for operation, maintenance and renewal also reduce uncertainty and protect long-term outcomes.

Recommendation 5: DCC recommends that the Bill's implementation settings ensure councils are meaningfully consulted on infrastructure standards and network integration, and that any acceptance/vesting of assets is subject to enforceable criteria that protect network integrity and long-term maintainability.

E. Workability of financing tools: mixed benefits, timing constraints, and equitable settings

15. DCC observes that many infrastructure projects deliver both private and public benefits, creating funding challenges for the public share. Existing mechanisms are constrained by planning and budgeting cycles: development contributions typically require inclusion in the Long-Term Plan (updated every three years), and annual plan additions can be administratively complex, particularly for smaller projects. A more permissive development environment can increase the frequency of these timing issues.

16. A recent Dunedin example illustrates these constraints in submitter-proposed growth areas. Four landowners sought a relatively large urban boundary expansion likely to require infrastructure upgrades, with a transition zone applied subject to technical studies including stormwater management and discharge to a flood-prone waterway. An integrated transport assessment identified an intersection upgrade outside the site with public and private benefits and funding was included in the Long-Term Plan. At the point of requesting the transition zone uplift, the landowner identified internal roading as having public benefits and requested a council funding contribution. Because this public component was identified too late for inclusion in the Long-Term Plan, identifying a timely and reliable mechanism for the public share became a significant delivery challenge.

17. DCC also observes that overall system coherence matters for households and councils. Clear alignment between IFF levies and targeted rates in principle and treatment becomes particularly important if wider policy settings such as rates capping interact with area-based charging. DCC further observes that smaller rural townships outside the main urban area can face very high per-property servicing costs, and that full cost pass-through may become prohibitive and effectively prevent development.

Recommendation 6: DCC recommends that financing mechanisms be simple to implement, adaptable, and capable of providing timely and reliable funding for the public share of mixed-benefit infrastructure; that the relationship between IFF levies and targeted rates be clearly coherent in principle and treatment; and that councils retain discretion to cap or discount charges in small townships where full cost pass-through would be prohibitive.

Conclusion

18. DCC's position centres on managed growth, infrastructure efficiency, and long-term affordability. A planning and financing environment that prioritises responsiveness can push growth into costly-to-service locations, fragment three waters networks, and increase long-run operating and maintenance costs, with sustained impacts for rates and housing affordability.

19. DCC supports the principle that growth should pay for growth, subject to two conditions: council discretion to decline proposals that are inappropriate or inefficient to service, and the availability of effective and flexible financing mechanisms to fund the infrastructure required to support growth, including the public benefit component.

20. DCC seeks a framework that enables location-specific cost recovery so high-cost growth areas bear higher costs, avoiding broad cross-subsidy and protecting both ratepayers and efficient developments from the consequences of poorly located urban expansion.

Nāku noa, nā

Sophie Barker
MAYOR OF DUNEDIN
TE KOROMATUA O ŌTEPOTI