DUNEDIN CITY COUNCIL | kaunihera a-rohe o Ōtepoti

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Department of Internal Affairs
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DUNEDIN CITY COUNCIL SUBMISSION ON THE CONSULTATION ON THE LOCAL GOVERNMENT (INFRASTRUCTURE FUNDING) AMENDMENTS BILL - DEVELOPMENT LEVIES

Tēnā koutou,

1. The Dunedin City Council (DCC) welcomes the opportunity to submit on the partial exposure draft of the Local Government (Infrastructure Funding) Amendment Bill – Development Levies (the Bill) and the associated Supporting Growth Through a Development Levies System consultation document.

2. DCC supports reform that strengthens councils' ability to fund growth-related infrastructure in a way that is fair to existing communities, transparent to the public, and predictable for the development sector. DCC agrees that the existing development contributions regime is no longer fully fit for purpose, particularly as it was intended to operate in a more predictable planning environment. Highlighting that resource management reform is likely to result in a far more permissive and responsive planning environment than is currently the case under the Resource Management Act 1991 (RMA), this submission broadly supports the development levies proposal, and considers that this will generally provide improvements over the existing development contributions regime.

Dunedin context

3. Dunedin's growth and development patterns reflect the realities of a city with established urban areas, significant infill development opportunities, greenfield opportunities primarily located around the edge of the existing urban areas, and complex and varied infrastructure constraints across neighbourhoods and settlements. DCC's experience is that the infrastructure implications of development can differ significantly, and will often differ by location based on: variable availability of different 3 waters infrastructure in outlying townships and settlements, network capacity in different parts of the urban environment, and locations-specific constraints particularly the ability to effectively manage stormwater.

4. Dunedin faces significant infrastructure challenges in relation to its 3 waters network. Many of the constraints stem from the age of the city's infrastructure, inflow and infiltration into the city's wastewater network during high rainfall events, and the increasing effects of climate change on 3 waters infrastructure. A significant capital programme is planned to help address these issues, however there is no quick or easy fix, and considerable time and expenditure is required.

5. The way growth infrastructure is delivered and funded has direct implications for:

   a) development feasibility and housing supply,

   b) the fairness of cost distribution between existing and new residents,

   c) the ability to effectively undertake long-term planning and infrastructure sequencing, and

   d) the ability to maintain service levels in the context of wider financial pressures and potential rate capping.

6. Accordingly, DCC therefore supports a levy regime that improves the ability to accurately recover growth-related costs, while providing transparency, consistency, and fair treatment across different development types and localities.

Key principles DCC considers essential to the development levies regime

7. DCC suggests that there are several key principles that should be at the forefront of the development levies regime. These are:

   - Growth should pay for growth;
   - The system should provide transparency and predictability;
   - The system should provide for variation and adaptability to local contexts; and
   - The system should provide for cost effective implementation and administration.
   - The system (alongside the planning system) should encourage and promote growth infrastructure that is cost-effective to deliver and operate, as far as practicable.

Comments on the draft Bill, and the submission from Taituarā

8. DCC supports and endorses the matters and recommendations made in the submission on the Bill and consultation document from Taituarā — Local Government Professionals Aotearoa (Taituarā). In particular, DCC draws attention to the following topics and recommendations, all of which are detailed further in the Taituarā submission.
9. DCC broadly supports the transitional arrangements, but considers that the draft Bill should be amended to include explicit provisions allowing for the repeal of development contributions on and from the 1 July 2030. DCC also recommends that the Government extend the transitional arrangements on development contributions to also include financial contributions under the RMA. It is noted that this would also require amendments to either the Planning Bill or the Natural Environment Bill.
10. The Bill does not contain discussion on earlier Government proposals regarding the use of targeted rates. DCC recommends that the draft Bill be amended to include provisions that extend the powers to set targeted rates on developments to ensure that the growth pays for growth principle extends to not just initial capital spend but also on-going operational spend, where appropriate, and in circumstances where new infrastructure may need to be retrofitted to an existing community, for example by adding water or wastewater services to an existing community that does not currently have this service. This is to ensure the cost of that new service is fairly distributed between existing and new development.
11. DCC recommends that the draft Bill be amended, to make it clear that the Crown should not be exempt from development levies.
12. The development levies policy provisions could benefit from a number of matters of clarification, as outlined in the Taituarā submission. DCC endorses these recommendations.
13. In particular, DCC highlights a potential issue for local authorities that deliver water services in-house in relation to access to development levies. Clause 110A(1)(a)(i) and (ii) requires a development levies policy to include statements of the key elements of the financial and infrastructure strategies pertinent to development levies. However, the Local Government (Water Services) Act 2025 prohibits the inclusion of information about water services in those

strategies, as well as in the wider Long-Term Plan. Therefore, as drafted, the Bill may unintentionally prevent local authorities that provide water services in-house from accessing development levies. DCC recommends that the development levies policy be permitted to refer to the key elements of water service strategies where relevant. Additional amendments to the Local Government (Water Services) Act 2025 may also be required to ensure that water service providers are able to access development levies.

14. Additional guidance should be provided around the circumstances in which high-cost overlays are an option to use. This is a matter that is of key concern to DCC, as high-cost overlays are the key mechanism to ensure that growth areas that have high infrastructure servicing costs pay a fair proportion of these costs. DCC notes that clause 211J(1) of the Bill allows for local authorities to use high-cost overlays if the location has a 'substantial' difference in the growth costs of providing a leviable service within the levy area. DCC requests that clarity is provided on exactly what constitutes 'substantial, as this will likely be a key matter of contention between councils and developers, and is a matter that carries a high risk of litigation. The Bill ideally should include a methodology that outlines when this overlay is appropriate to use, and detail of how it should be applied that is clear and easy to apply and understand so as to reduce the risks (and associated costs) of litigation.
15. Caution is needed in standardising units of demand, as detailed in the Taituarā submission.
16. The draft Bill creates some uncertainties regarding the use of development levies for reserves and community infrastructure. DCC recommends that amendments are made to ensure alignment with the Reserves Act, clear statutory definitions, transparent cross-boundary funding tests and a broadened scope consistent with existing community infrastructure obligations.
17. DCC recommends that any local authorities who are wanting to remit development levies must clearly and publicly set out the objectives of remission in their development levies policy, together with the reasons for expecting the ratepayer to meet that cost. This should include situations for existing outlying settlements where development levies would, if not remitted or limited, present a disproportionate cost relative to the price of land or housing in that community, effectively preventing growth in that settlement.
18. DCC supports the Government's 'in principle' decision that the Commerce Commission will act as the regulator of development levies.

Conclusion

19. DCC thanks the Department of Internal Affairs for the opportunity to submit on the draft Bill. DCC welcomes ongoing engagement with the Department of Internal Affairs and other agencies as the Bill progresses. DCC is available to meet with officials to discuss practical implementation issues and to contribute to the development of guidance, templates, and implementation support materials.

Kā mihi,

Nāku noa, nā

Sophie Barker

MAYOR OF DUNEDIN
TE KOROMATUA O ŌTEPOTI