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Tēnā koutou katoa

Feedback on “Supporting Growth Through a Development Levies System”

Kāpiti Coast District Council (Council) thanks you for the early opportunity to comment on the option to introduce a new *Development Levies System* (DLs), proposed in replacement of the current Development Contributions (DCs) regime in the Local Government Act 2002 (LGA), to provide a more flexible and consistent funding system for growth infrastructure.

Kāpiti Coast District Council submission on the proposed DLs

1. Council note that we fully support the submissions made by Local Government New Zealand and Taituara on the DL proposals, and the concerns they respectively raise.
2. Across the suite of legislative changes relevant to local government, we feel there is an unnecessarily high focus on restricting councils services, rather than stepping back to consider: what services communities need; who is best placed to deliver them; and where funding for such activity should be sourced (for example, tax revenue, rates revenue, private cost including development levies or contributions). This short-sighted approach is likely to result in decline in community access to the services that are genuinely needed to support cohesion, build resilience, and maintain wellbeing.
3. The Kāpiti Coast District welcomes high growth in housing and commercial development volumes over the next 30 years, given the strong pipeline that is now in place. Ensuring that the right services, and funding mechanisms are also in place to support ‘good growth’ for our community is a priority for our Council. We agree that a review of the existing DC regime will be valuable to ensure that the costs of growth are fully recovered, reducing unfair burden, for needed additional infrastructure, on rate payers who would otherwise not request a change in existing services.

4. However, we remain concerned about the uncoordinated and piecemeal approach that is progressing through various legislative tools to reshape system settings to enable growth.

4.1. Local government is currently facing unprecedented, system-wide reforms affecting its structures, core legislation, administrative systems, and revenue streams.

4.2. These changes are not well coordinated. For example, the Planning and Natural Environment Bills introduce a retrospective regulatory relief framework that may require councils to compensate landowners for planning constraints, while rates revenue is expected to be capped. Any financial benefits from development levies could therefore be offset by new liabilities under this framework.

4.3. Introducing a development levy regime, can only form one part of the broader funding tools needed to support housing and growth. To ensure consistency across the suite of legislative changes proposed, a systemic assessment of collective (fiscal) impact is needed and should be tabled with Select Committee alongside the proposed suite of Bills. For transparency, all relevant funding sources should be discussed:

- Tax revenue, via the central Government purse, and ensuring a 'fair share' is paid towards the transition costs for local government to shift to the new system.
- Development levies as a mechanism to support new infrastructure growth, and renewal of asset to extend service life.
- Rates revenue and ensuring existing residents pay a 'fair share' of costs, given the significant ongoing fiscal pressure from depreciation, maintenance, and delivery operations.
- Additional funding mechanisms such as: GST sharing incentives for local councils for new builds, enhanced value capture tools, expanded funding and financing options, and central–local government cost sharing arrangements.

5. Further to these overall points, in regards to the detailed proposal -

5.1. We agree that:

- a. DCs are no longer fit in today's planning environment, where growth is dispersed and councils can't reliably plan or cost infrastructure in advance. Under recovery of growth pushes significant costs back onto general rates. This weakens incentives to support growth, reinforcing the view within communities that growth is a fiscal burden.
- b. Applying DLs across larger areas will ensure that every unit of growth in a levy area to pay a fair share of expected capacity costs. This flexibility places less dependency on perfect project level certainty; and enables recovery of the aggregate cost of providing capacity for expected growth.
- c. Phasing DLs in, and subsequently phase DCs out, to acknowledge the time needed to establish regulation and for councils to design new policies alongside spatial planning work.
- d. Regulatory oversight of DL's is required, in-principle. However, we expect that such oversight is best managed within existing audit and regulatory settings by

either the Office of the Auditor General (in terms of compliance with the DL policy) or the Commerce Commission. A standalone regulator would add cost without commensurate benefit.

- e. Supporting strong alignment across spatial plans, growth (future development) strategies, infrastructure strategies, and ultimately the Long-term Plan to ensure consistency and mitigate uncertainty in medium-term growth and cost forecasts. In practice, the DL regime will need to:
- Empower local-led planning, as part of regionally crafted spatial plans, to ensure alignment to district-level levy arrangements (this will include levy settings and expenditure in identified growth areas and sequencing).
 - Ensure funding supports planned networks rather than ad hoc development.
 - Provide Councils with discretion within the DL regime (including the ability to decline bespoke levy requests outside levy areas, to avoid out of sequence growth that increases capital and operating costs and places pressure on ratepayers).
 - Require robust mechanisms for regularly reassessing demand, capacity, and the consequences of changing growth trends to improve the accuracy of forecasting the scale and location of growth (which is essential, as these assumptions drive infrastructure planning and the provision of community-scale assets).

5.2. We request that the Bill be amended, to address some significant gaps, including:

- a) Adjusting timeframes for phasing in the DLs / phasing out DCs regimes to align to Long-Term Plan timeframes for example, DLs phased in 2027/28 and DCs phaseout in FY 2030/31. *Rationale: this will reduce unnecessary additional work, and costs at local levels.*
- b) Explicitly repealing the DCs regime by 1 July 2030 to prevent dual track lobbying and policy drift between the two regimes over the longer term. *Rationale: this will reduce complexity and confusion in implementation.*
- c) Introducing a similar phasing out period for RMA financial contributions, since some councils, including Kāpiti, still rely on them and would otherwise need to manage two regimes in the short-term. *Rationale: this will reduce complexity and confusion in implementation.*
- d) Including enabling provisions for councils to set tightly ring-fenced targeted rates for development areas, including for use at subdivision stage¹. *Rationale: this will enable more comprehensive, and appropriate, cost recovery options.*
- e) Binding the Crown, for both DCs (during transition) and DLs, via a new LGA 2002 s8(2)(ba) applying subparts 5 and 5A of Part 8. *Rationale: DLs and DCs are charges for infrastructure services, not rates/taxes, so constitutional exemptions should not apply.*

¹ The Government's growth funding and financing package signalled strengthened targeted rate powers as a complementary tool to DLs, particularly for smaller/lower growth councils and at the subdivision stage, yet neither the discussion document nor the draft Bill mention these

- f) Including requirements for DL policies to support the principles in the preamble to Te Ture Whenua Māori Act 1993 (e.g., retention and use of Māori land). Council recommends adding an explicit link alongside other s102 funding policies. *Rationale: this will ensure we meet our Te Tiriti obligations).*
- g) Specifying more clearly details for how levy areas are intended to be defined, to provide more consistency and legal certainty. As currently proposed², Council's working assumption is that for the Kapiti Coast this could suggest four levy areas be set³, or alternatively a single levy for the "entire community". *Rationale: this will reduce complexity and confusion in implementation.*
- h) Replacing "substantial" with "significant" in the proposed s211J (test regarding high-cost overlays) to align with the LGA's established significance framework. *Rationale: this will reduce litigation risk around ambiguous thresholds.*
- i) Aligning definitions in clauses 211Q–211S with the Reserves Act 1977. *Rationale: this will provide clear and transparent tests for any out of district expenditure, and to confirm a scope that is consistent with existing community infrastructure responsibilities.*
- j) Amending the definition for recovery of administrative costs to include transition costs, to shift to the new DL regime, over a defined period or be fully or partly funded by central government as part of its Going for Housing Growth initiative. *Rationale: this will enable more comprehensive, and appropriate, cost recovery options.*
- k) Clarifying the policy intent on postponements - if they are not provided for, state this expressly in the legislation. *Rationale: this will reduce complexity and confusion in implementation.*

5.3. We do not agree or support:

- Concerns raised about either DCs or DLs raising house prices, or that they should influence the setting of criteria or calculation of either regime. Evidence from Auckland's Drury work and the NSW Productivity Commission indicates that, in competitive markets, levies are capitalised into land values, not passed on to buyers, when councils
- The current requirements for levy areas set in s110(1)(c)⁴, if the Bill's intention is to provide consistency in approach. The clause should be tailored so that the

² The Discussion Document section 2.3 (p.12), states that "development levies will be charged across levy areas that cover an entire community or service network (where this serves more than one community)". Elsewhere, however, it is implied that a "community" refers to a contiguous urban area.

³ Given the 'string of pearls' development pattern of the Kāpiti Coast: one district-wide levy area for roading; one levy area for Raumati-Paraparaumu-Paraparaumu Beach-Otaihanga-Waikanae for water and wastewater, parks and reserves and community facilities; one levy area each for Ōtaki and Paekākāriki for water services, parks and reserves and community facilities; and individual levy areas for each community/catchment for stormwater.

⁴ Proposed s110(1)(c) requires Councils to summarise the basis for levy areas, yet (outside Auckland) councils are restricted to a single levy area.

detailed requirement apply only to councils operating multiple levy areas (i.e., Auckland).

- That the proposed DL regime makes no allowance for climate-change related costs for infrastructure development. Neither the DL consultation document nor the draft Bill provide any clarity around how climate effects-related cost sharing can be addressed through the DLs. This is inconsistent with Pillar 4 of the newly introduced National Adaption Framework (NAF), and cost-sharing pre-and-post event requirements⁵. It would be desirable that design responses to climate change were identified as drawing legitimately on DL funding levels, to avoid challenge and claims of 'gold plating'.
6. With these refinements and issues addressed, the proposed DLs regime could provide one element of the needed mechanisms to provide a clearer, fairer, and more sustainable approach to funding growth and delivering infrastructure.

Conclusion

While recognising that the implementation of the new DL system will require intensive work to meet the proposed timelines, Council sees this new system as imperative to match the changing and challenging growth profiles.

We are happy for any clarifications regarding our submission to be sent to Kris Pervan for further response (email: Kris.pervan@kapiticoast.govt.nz).

Nāku iti nei, nā



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⁵ In Oct 2025, the Government released the NAF with Pillar 4 action 15 introducing: “a new development levy system as part of Going for Housing Growth, to ensure councils charge developers a proportionate amount of the total costs of capital expenditure necessary to service growth over the long term.”