Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development

Te Tari Taiwhenua
Internal Affairs

# Factsheet 4: Current state of Development Contributions and the future state for Development Levies

**The Going for Housing Growth (GfHG) programme will enable more homes to be built.** The programme is structured around 3 pillars that are designed to improve affordability and address the underlying causes of the housing supply shortage. The pillars are:

1. Freeing up land for urban development, including removing unnecessary planning barriers

**2. Improving infrastructure funding and financing to support growth**

3. Providing incentives for communities and councils to support growth

### Development contributions (DCs)

To charge DCs, councils must have planned and costed growth infrastructure ahead of growth happening. Councils attribute costs to areas where they expect development - often setting up small catchments. Councils then recover the costs of infrastructure for specific planned and costed in-sequence development. Currently, there's too much "live" urban land for councils to plan for or service, and as we make urban land more abundant, this issue may worsen.

## Scenario A - How the current state can lead to under recovery

Development A – 100 homes
(Fully Planned)
Actual Cost: $53k per dwelling
DC level for area (planned): $53k per dwelling
Water, wastewater, stormwater, transport, reserves and community infrastructure.
DCs set based on schedule of planned council investments for projects serving area.

Actual cost: $5.3 million
Council recovers: $5.3 million
Under-recovery: $0

Development B – 50 homes
(Fully Planned)
Actual Cost: $47k per dwelling
DC level for area (planned): $47k per dwelling
Water, wastewater, stormwater, transport, reserves and community infrastructure.
DCs set based on schedule of planned council investments for projects serving area.

Actual cost: $2.35m
Council recovers: $2.35m
Under-recovery: $0

Development C – 70 homes
(Unplanned)
Actual Cost: $53k per dwelling
DC level for area: $0
Water, wastewater, stormwater, transport, reserves and community infrastructure.
No DCs, because council has not planned infrastructure investment to serve development.

Full cost: $3.71m
Council recovers: $0
Under-recovery: $3.71m

Outcome
Council cost recovery: $7.65m
Under recovery: $3.71m

### Future state - Development levies

To charge Development Levies, councils must have costed aggregate growth for each infrastructure service (for example, transport and wastewater) across a relatively large urban area using a standardised methodology, monitored through regulation. Councils can then recover the costs of infrastructure to support whichever in-sequence development occurs – whether planned and costed by councils, or not.

## Scenario B – How this will support 'growth pays for growth' compared to the current state

Development A – 100 homes
(Fully Planned)
Planned cost per dwelling:
Water: $13k
Wastewater: $20k
Stormwater: $2k
Transport: $13k
Reserves: $4k
Community infrastructure: $1k
Total: $53k per dwelling & $5.3m for 100 homes.

Development B – 50 homes
(Fully Planned)
Planned cost per dwelling:
Water: $10k
Wastewater: $17k
Stormwater: $1k
Transport: $17k
Reserves: $1k
Community infrastructure: $1k
Total: $47k per dwelling & $2.35m for 50 homes.

Development C – 70 homes
(Unplanned)
Actual cost per dwelling (no data for planned):
Water: $9k
Wastewater: $20k
Stormwater: $4k
Transport: $18k
Reserves: $1k
Community infrastructure: $1k
Total: $53k per dwelling & $3.71m for 70 homes.

Water - Council recovers: $12,000 per dwelling

Wastewater - Council recovers: $19,000 per dwelling

Stormwater - Council recovers: $1,667 per dwelling

Transport - Council recovers: $14,333 per dwelling

Reserves - Council recovers: $3,000 per dwelling

Community - Council recovers: $1,000 per dwelling

In this scenario, all developers pay $51,000 per dwelling.

Per dwelling levies will be calculated based on the average cost of providing each infrastructure service for planned development and then applied to all development that occurs across the area.

Outcome
Council cost recovery: $11.22m
Under recovery: $140,000