

## In Confidence

Office of the Minister of Housing, Office of the Minister of Local Government  
Cabinet Economic Policy Committee

## Going for Housing Growth: Improving Infrastructure Funding and Financing to Support Urban Growth

### Proposal

- 1 This paper seeks agreement to improve infrastructure funding and financing tools that enable and support urban growth.

### Relation to government priorities

- 2 This paper delivers on a commitment in the Government's Q4 Action Plan – *"take Cabinet decisions on funding and financing tools to get more housing built"*. This action sits within the wider Going for Housing Growth (GfHG) work programme, which Cabinet agreed to in December 2023 [CAB-23-MIN-0498].

### Executive Summary

- 3 To fix New Zealand's housing crisis, we need to address the underlying factors that hold back the supply of new housing. In June, Cabinet took the first tranche of decisions on GfHG, which require councils to free up land for development [ECO-24-MIN-0100]. Cabinet also signalled the need for changes to infrastructure funding and financing to ensure infrastructure can be delivered to land zoned for development.
- 4 The key to ensuring a responsive supply of infrastructure is 'growth pays for growth'. This means that the growth-related costs of infrastructure that enables new development should be paid for by new development.
- 5 We intend to provide a flexible toolkit for councils and developers by improving Development Contributions (DCs), targeted rates, and the Infrastructure Funding and Financing Act 2020 (IFF Act). We also propose establishing a regulatory oversight regime to ensure councils are setting appropriate charges.
- 6 Following decisions on this paper, officials will undertake further work and engage with council subject matter experts and representatives from the development sector. We propose that relevant ministers will have delegated authority to decide further detailed policy. We intend to report back to Cabinet in September 2025 seeking approval to introduce amendment legislation.

### Background

- 7 In December 2023, Cabinet agreed to establish the GfHG work programme [CAB-23-MIN-0498]. The work programme comprises three pillars:
  - 7.1 **Pillar One:** Freeing up land for urban development and removing unnecessary planning barriers.
  - 7.2 **Pillar Two:** Improving infrastructure funding and financing to support urban growth.

- 7.3 **Pillar Three:** Providing incentives for communities and councils to support growth (i.e. addressing the political economy of urban growth).
- 8 The proposals in this paper relate to Pillar Two. They are also part of measures to broaden and enhance the funding and financing tools available to the Crown and councils as part of the Government's work programme on Improving Infrastructure Funding and Financing [ECO-24-MIN-0048].

### **Current infrastructure settings constrain housing development opportunities**

- 9 Addressing the root cause of unaffordable housing requires a package of improvements that enable a responsive supply of development opportunities (i.e. more competitive urban land markets). In turn, this will shift market expectations of future scarcity, bring down the cost of land for new housing, and improve incentives to develop land sooner instead of land-banking.
- 10 A responsive supply of development opportunities means freeing up land and development capacity – but it also requires the timely provision of infrastructure. Put simply, you can't have housing without water or transport. Under current settings, funding and financing infrastructure for growth has challenges. If left unaddressed, these challenges will reduce the effectiveness of Pillar One and hinder our ambitions of increasing housing supply and making housing more affordable.

### **Current state: Inflexible tools that disincentivise urban growth**

- 11 Firstly, councils (i.e. ratepayers) end up subsidising the cost of growth infrastructure due to limitations of existing tools and/or choices councils make about how to pay for growth infrastructure. The Department of Internal Affairs (DIA) has seen evidence of under-recovery, but no evidence of overcharging – likely because the Local Government Act 2002 (LGA02) provides strong safeguards against overcharging.
- 12 To charge DCs, councils must plan infrastructure before developers lodge resource consents. Councils also must demonstrate a strong link between infrastructure assets with growth capacity and the developments being charged. In effect, this means councils can only recover costs if they have certainty about where and when development occurs.
- 13 Since DCs were introduced in 2002, there has been a significant shift in the planning environment, requiring councils to free up more land for development than they can service with infrastructure in the short term (illustration provided in Appendix One). This shift has and will continue to increase uncertainty about when and where development will occur. As such, councils can no longer effectively recover their costs through DCs, resulting in cross-subsidisation by ratepayers.
- 14 For example, Auckland Council estimates that \$330m in growth infrastructure costs for Drury will be met by ratepayers due to limitations in the current system. Similarly, Tauranga City Council reported 16 percent under-recovery for projects that were included in DC policies due to the 'inflexibility' of DC provisions in legislation, which saw over \$70m of debt transferred, or expected to be transferred, to ratepayers.
- 15 Secondly, developers face barriers for arranging private funding and financing solutions that do not rely on the council providing the necessary infrastructure in a timely manner. The IFF Act was passed in 2020, but no levy proposals have been received for new residential development, and the two levies so far have been for city-wide infrastructure projects.

**Future State: 'Growth pays for growth' through a flexible toolkit**

- 16 Our aim is to enable a responsive supply of infrastructure, so that it is not a bottleneck where it would otherwise be commercially viable to build new houses. To achieve this aim, our overarching approach is 'growth pays for growth'. For 'in-sequence' development, councils should be able to invest in infrastructure with confidence that they can recover growth-related costs. For 'out-of-sequence' or 'unanticipated' development, developers should be able to arrange funding and financing without relying on council balance sheets, if the development stacks up.
- 17 There is no funding and financing approach that will suit all developments. Development opportunities vary in terms of size, alignment with planned council infrastructure investment, and impact on wider infrastructure networks. Therefore, a flexible toolkit is needed to achieve 'growth pays for growth' in different contexts, as shown in Appendix Two.

**Improving infrastructure funding and financing tools to support urban growth****A. Introducing a development levy system to make 'growth pay for growth'**

- 18 The key shift we are proposing is to replace DCs with a development levy system. DCs effectively require councils to plan where growth occurs and set specific charges for infrastructure that services those planned growth areas. In contrast, development levies will enable councils to charge developers for the aggregate costs of growth infrastructure across an urban area. This will give councils greater flexibility to invest in infrastructure that responds to growth.
- 19 The purpose of the development levies is to ensure councils charge developers a proportionate amount of the total cost of capital expenditure necessary to service growth over the long term. Alongside councils, water service providers will also be able to set levies for the provision of water services regardless of whether the council(s) they service choose to use development levies.
- 20 When considering changes to DCs, there is an inherent trade-off about how tightly cost recovery should be linked to specific growth areas. On the one hand, it is important to ensure councils have sufficient flexibility to recover growth costs. On the other, it is desirable that where possible, charges reflect the infrastructure costs for a specific growth area. The proposed levy system strikes a balance between these objectives.

*Table One: Proposed design of development levies tool*

Design elements	Rationale
Separate levies must be set for each <b>specific infrastructure service</b> (drinking water, wastewater, stormwater, transport, reserves, and community infrastructure).	This aligns with Local Water Done Well and provides certainty about how levy revenue will be used.
A <b>levy zone</b> is expected to cover a pre-defined urban area. Because this is a fundamental design decision, the exact definition of an urban zone will be informed by further analysis, case studies, and stakeholder engagement. For example, a levy zone could be set at the council level, except where that council covers more than one urban centre (e.g., Queenstown Lakes has urban centres like Queenstown and Wanaka).	The size of levy zone is a critical design choice that needs to consider the trade-off between: <ul style="list-style-type: none"> <li>• Enabling councils to respond to demand for housing development when and where it occurs and recover growth costs, and</li> <li>• Linking levies to the cost of infrastructure provision in a specific area to enable differentiated charges.</li> </ul>

Design elements	Rationale
A council has discretion to impose an <b>additional charge</b> on top of the base levy for a service, for any part of a levy zone where providing that service requires particularly high-cost infrastructure.	Decisions on the appropriateness of additional charges are highly dependent on place-specific context about development opportunities and infrastructure investment plans.
Each levy will be <b>calculated based on aggregate growth costs and expected levels of growth</b> . Aggregate growth costs can include: <ul style="list-style-type: none"> <li>Actual past costs – previous expenditure on assets with growth capacity that a council is expecting to recover from development (this is not a change from the current system),</li> <li>Anticipated expenditure to provide growth capacity, and</li> <li>Previously unanticipated growth costs incurred within the last levy period – such as costs incurred responding to growth happening in an area faster than expected.</li> </ul> Note that unanticipated costs will only be recoverable when they occur after a council implements the levy system.	This is to account for the 'lumpy' nature of network infrastructure improvements, which means many infrastructure assets can only be provided in a cost-effective manner when built at a scale that enables considerable growth.
Councils (and any other infrastructure providers with the ability to set a levy) will be required to use a <b>prescribed methodology</b> to determine growth costs and standardised growth units.	This will support rigour and transparency around how levies are set, and enable consistency between council jurisdictions.
Where development is proposed <b>outside of a levy zone</b> , there will be a process through which councils or water service providers can determine an appropriate levy (including any additional charges).	This will enable development levies to support out-of-sequence and unanticipated development opportunities that differ from council estimates about urban growth, while still applying 'growth pays for growth'.
Development levies will be flexible enough to account for <b>different models of infrastructure delivery</b> . This includes supporting first-mover developers who provide infrastructure capacity for subsequent development, enabling third party funding to be targeted to a non-growth portion of a project, and recovering council costs for infrastructure owned by another entity.	This will support application of 'growth pays for growth' across a range of infrastructure delivery models.

#### *Implications of development levies*

- 21 The development levy system will reduce financial risks for councils, which could moderate rates increases and better incentivise communities to support growth. It will also reduce administrative complexity for councils.
- 22 While development levies will likely increase infrastructure charges for some developments, they are designed to improve predictability of infrastructure charges. Where increased charges are credibly signalled in advance, we expect future developers will account for added costs when shopping for developable land, lowering the amount they are willing to pay. Officials have undertaken high-level analysis of fast-growing urban centres to consider how much capacity there is for increased infrastructure charges to be absorbed into land prices over the longer term. This analysis indicated that in most of these centres there is sufficient capacity to absorb higher infrastructure charges and not affect the profitability of buying the land.



- 23 However, there are short-term risks that developers who have already bought land may face unexpected increases in infrastructure charges. To help mitigate these risks, we intend to provide clear signals of upcoming changes to legislation and enable council discretion to phase in any increased charges.

#### **B. Regulatory oversight of development levies to ensure charges are appropriate**

- 24 Developers have raised concerns that councils may overstep in their use of DCs, and the Housing Expert Advisory Group has also raised concerns that councils can have monopolistic pricing power as the sole provider of certain types of infrastructure. The levy system will alleviate some of these issues by restricting local authority discretion about some matters, such as setting the methodology used to allocate project costs.
- 25 To avoid both over charging and under charging, we consider that regulatory oversight of development levies should be a part of the new system. This oversight will need to be integrated with the Minister of Local Government's proposals for regulatory oversight of water services and rates [CAB-24-MIN-0445]. While the wider regulatory oversight system for aspects of local government is being designed, we propose interim oversight arrangements.
- 26 Detailed design of these interim powers would be undertaken by delegated ministers and may include information disclosure requirements, requirements to have an independent assessment of proposed levies, Crown intervention powers if development levy powers are being used inappropriately, standardised methodology requirements for setting development levies (in regulation), and other such levers.

#### **C. Improving the Infrastructure Funding and Financing Act 2020**

- 27 The IFF Act enables infrastructure to be financed by a special purpose vehicle (SPV) instead of councils and is ultimately funded through levies on property owners.
- 28 We propose a package of amendments that will improve the workability of the Act and ensure it functions as part of the wider flexible toolkit to apply 'growth pays for growth'. These changes are intended to improve the Act regardless of the infrastructure project it is used for, however, a particular focus is on improving the Act's utility for out-of-sequence and unanticipated development.

*Table Two: Proposed improvements to the IFF Act*

Proposed improvements	Rationale
<b>Purpose of the Act</b> <ul style="list-style-type: none"> <li>Remove focus on addressing local authority financing and funding constraints.</li> <li>Remove requirement that use of the IFF Act supports the "functioning of urban land markets".</li> </ul>	<p>Removing the focus on local authority financing and funding constraints will better reflect the likely use of the Act for developer-led projects and broaden its scope.<sup>1</sup></p> <p>The IFF Act can only be used for infrastructure for urban development, so the requirement for the Act to support the "functioning of urban land markets" is superfluous.</p>
<b>Levy approvals process</b> <ul style="list-style-type: none"> <li>Streamlining the approvals process</li> </ul>	<p>The time and effort required for applicants to have a levy approved is a key barrier to the use of the IFF Act. The approvals process could be streamlined, while still</p>

<sup>1</sup> This would support use of the IFF Act for infrastructure that is to be vested with a water organisation as previously agreed to by Cabinet [CAB-24-MIN-0277.03 refers].

Proposed improvements	Rationale
<ul style="list-style-type: none"> <li>Removing the requirement to consider whether a proposed levy is affordable and in the long-term interests of levy-payers for land owned by the levy proposer or landowners who have provided written support.</li> </ul>	<p>adequately protecting levy-payers' interests, through changes including simplifying requirements for levy proposals, recommendation reports and Ministerial consideration, and limiting councils' ability to block developer-led proposals.</p> <p>In greenfield areas, levy-payers effectively self-assess affordability and opt-in to the levy when deciding to purchase a property. As such, where developers are supportive of a levy proposal, Ministerial consideration of affordability should not be required. This change would also apply to brownfield developments where existing landowners are supportive of the levy.</p>
<p><b>Interaction with development levies</b></p> <ul style="list-style-type: none"> <li>Enabling an IFF Act levy to be set without a direct link to a specific infrastructure project where the IFF Act is being used to finance payment of a development levy.</li> <li>Ensuring IFF Act levies and development levies work well alongside each other.</li> </ul>	<p>The IFF Act could also be a useful tool for developers to raise finance necessary to pay a development levy. As development levies will <u>not</u> have a strong link with specific infrastructure projects, use of the IFF Act in this way would require enabling an IFF Act levy to be set without reference to a specific infrastructure project.</p> <p>Other changes are also required to ensure IFF Act levies and development levies work well alongside each other (e.g. ensuring they cannot be used to pay the same cost twice).</p>
<p><b>Other changes</b></p> <ul style="list-style-type: none"> <li>Further changes to improve the Act's flexibility and support its use for a range of projects.</li> <li>Technical and remedial changes.</li> </ul>	<p>Officials are investigating further changes to improve the Act's flexibility and support its use for a range of projects. Technical and remedial improvements to the Act have also been identified.</p>

#### D. Improving flexibility of targeted rates for growth infrastructure

29 We propose enabling a council to set targeted rates that apply when a rating unit (e.g. a separate property) is created at subdivision stage. This change will support councils to apply the principle of 'growth pays for growth' in two ways:

29.1 It will enable a council to set targeted rates that apply only to new developments. This could be used as an alternative to a development levy, particularly for smaller councils.

29.2 It will enable targeted rates and development levies to be used together where projects benefit existing residents *and* provide for growth.

#### E. Improving existing tools to support value capture

30 We believe that those who benefit from publicly funded infrastructure should help contribute to the cost of it. New state highways, for example, create economic benefits for private landowners by unlocking capacity for new development or improving journeys for existing households.

31 We propose two changes to the IFF Act to support value capture:

31.1 Enabling IFF Act levies to be charged for major transport projects (e.g. projects delivered by NZTA).

31.2 Enabling levy deferrals as an optional levy design choice. Even if an infrastructure project materially increases the value of a property, the property owner may have insufficient cash at hand to pay an annual levy. Levy deferrals address these issues by ensuring levies are not payable until the required cash is available (e.g. upon sale of property).

32 s 9(2)(f)(iv)

### Next steps

33 Following decisions on the proposals in this paper, officials will undertake further analysis and targeted engagement with council subject matter experts and representatives from the residential development sector. We seek delegated authority for decisions on detailed policy by:

33.1 the Minister of Housing and Minister of Local Government for development levies, possible minor amendments to the development agreements system, and targeted rates. This will also include transition provisions for implementing the new system; and

33.2 the Minister of Housing, informed by advice from the Parliamentary Under-Secretary to the Minister of Infrastructure, for the IFF Act.

34 We also seek authorisation for drafting instructions to be issued by:

34.1 the Minister of Local Government for legislation to implement proposals for development levies, development agreements, and targeted rates, including any minor, technical or consequential amendments; and

34.2 the Minister of Housing for amendments to the IFF Act.

35 We intend to report back to Cabinet in September 2025 seeking approval to introduce legislation to implement policy decisions.

### Cost-of-living Implications

36 The GfHG package aims to significantly reduce housing costs, which will reduce the cost of living.

### Financial Implications

37 Establishing a regulatory oversight system for development levies will likely have some financial implications. We will report back and seek Cabinet approval for both the policy decisions and their financial implications. The Minister of Local Government will be reporting back in the future seeking Cabinet approval to broader regulatory arrangements for local government.

38 The proposals in this Cabinet paper could also lead to an increased use of IFF Act levies, which would increase non-core Crown debt. Such impacts are recognised when levies are authorised. IFF Act levies do not impact either OBEGAL or net core Crown debt.

## Legislative Implications

- 39 The proposals in this Cabinet paper will be implemented through amendments to the LGA02, Local Government (Rating) Act 2002, and the IFF Act. The Legislation Programme includes a Local Government (Infrastructure Funding) Bill and an Infrastructure Funding and Financing Amendment Bill. Both bills are currently listed as category 6 (drafting instructions to be issued by the end of 2024) and we will review this for the 2025 Legislation Programme.
- 40 The relevant provisions of the LGA02 do not bind the Crown, which we do not propose changing. The Local Government (Rating) Act 2002 and IFF Act bind the Crown, which we do not propose changing.

## Impact Analysis

### Regulatory Impact Statement

- 41 The Panel considers that the information and analysis summarised in the RIS for Improvements to the IFF Act meets the quality assurance criteria.
- 42 The Panel considers that the information and analysis summarised in the RIS for Improving Local Government Infrastructure Funding Settings partially meets the quality assurance criteria. The RIS provides a clear description of a complex cost recovery system that is not keeping up with other policy decisions and changes, and generally meets the complete and convincing criteria, within the constraints and limitations noted.
- 43 The RIS is constrained by Ministerial expectations and so the relative impact of other potential options is not provided. The costs and benefits of the preferred option are qualitative as the preferred option, and the changes to the NPS-UD, are still subject to detailed policy decisions by Ministers, and the choices that are made about the final design may change the cost/benefit assessment. The transitional arrangements / phased approach is an important consideration for the effective delivery of the proposal that will need to be further developed. Consultation was limited to a subset of potentially affected parties, and while there is an opportunity for engagement through the select committee process, further engagement on the detailed policy design is likely to be required.

### Climate Implications of Policy Assessment

- 44 The Climate Implications of Policy Assessment (CIPA) team has confirmed that the CIPA requirements do not apply to this policy proposal, as any emissions impact would be indirect.

### Population Implications

- 45 The GfHG package will reduce housing costs and support well-functioning urban environments for all New Zealanders. We expect the proposed changes to infrastructure funding settings to have minimal impacts on Māori housing. The proposed changes to the IFF Act have no direct impacts on Māori beyond those applying to other groups.



## Human Rights

- 46 There are no direct implications for the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993 from the decisions in this paper.

## Use of External Resources

- 47 A Housing Expert Advisory Group provided input on proposals in this paper through written feedback and meetings with officials.

## Consultation

- 48 The following agencies were consulted: Crown Infrastructure Partners; Infrastructure Commission; Kāinga Ora; Land Information New Zealand; Ministry for the Environment, Ministry of Business, Innovation and Employment; Ministry of Transport; NZTA; Te Arawhiti; Te Puni Kōkiri; and the Treasury. The Department of the Prime Minister and Cabinet were informed.
- 49 Officials undertook targeted engagement with local government sector experts and representatives from the residential development sector.

## Communications and Proactive Release

- 50 We intend to announce these decisions in the coming weeks. We intend to proactively release this paper within 30 business days of decisions.

## Recommendations

The Ministers of Housing and Local Government recommend that the Committee:

- 1 **note** that Cabinet agreed to the Going for Housing Growth package in December 2023 [CAB-23-MIN-0498];
- 2 **note** that the proposals in this paper relate to Pillar Two of the Going for Housing Growth work programme – Improving infrastructure funding and financing to support urban growth;

## Improvements to infrastructure funding and financing tools

- 3 **agree** to replace Development Contributions with a development levies system with the following features:
  - 3.1 the purpose of development levies is to ensure councils charge developers a proportionate amount of the total cost of capital expenditure necessary to service growth over the long term;
  - 3.2 separate levies will be maintained for each service (drinking water, wastewater, stormwater, transport, reserves, and community infrastructure);
  - 3.3 where water services are provided by a water service provider (such as water council-controlled organisation), these will be able to set levies for water services;
  - 3.4 each urban centre will be a discrete levy zone;

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- 3.5 where providing a service to part of a levy zone has particularly high growth costs, councils will have discretion to charge an additional high-cost asset levy on top of the base levy for that service;
- 3.6 levies will be calculated based on expected levels of growth and aggregate growth costs;
- 3.7 councils will be required to use a prescribed methodology to ensure consistent application of development levies, for example to determine growth costs and standardised growth units;
- 3.8 where a council receives an application for development outside an existing levy zone, there will be a process through which a council can determine appropriate levies;
- 3.9 development levies will be flexible enough to account for different models of infrastructure delivery;
- 3.10 councils will have discretion to phase in any transition to higher charges under the levy system to manage impacts on local development;
- 4 **agree** that development levies be subject to regulatory oversight:
  - 4.1 integrated with regulatory oversight of local authority rates;
  - 4.2 in the interim, by information and disclosure powers, and step in powers on behalf of the Crown where levy powers are being used inappropriately;
- 5 **agree** to add 'rating unit creation date' to the list of categories of rateable land councils may use for setting a targeted rate;
- 6 **agree** to improve the Infrastructure Funding and Financing Act 2020 (IFF Act) through the following changes:
  - 6.1 amending the IFF Act's purpose by removing the focus on addressing local authority financing and funding constraints and the requirement that use of the Act supports the functioning of urban land markets;
  - 6.2 streamlining the levy development and approvals process;
  - 6.3 creating a simplified approvals process for landowner-supported levy proposals (e.g. developer-led greenfield levies);
  - 6.4 providing for the interaction between the IFF Act and proposed development levies;
  - 6.5 enabling an IFF Act levy to be set without a direct link to a specific infrastructure project where the IFF Act is being used to finance payment of a development levy;
  - 6.6 other changes to improve the flexibility of the IFF Act and support its use for a range of infrastructure projects;
  - 6.7 technical and remedial changes to improve functioning of the IFF Act;
- 7 **agree** to better support value capture, through:

- 7.1 enabling IFF Act levies to be charged for projects delivered by the New Zealand Transport Agency;
- 7.2 enabling levy deferrals as an optional IFF Act levy design choice;

8 s 9(2)(f)(iv)

#### Next steps

- 9 **authorise** the Minister of Housing and Minister of Local Government to make further policy decisions for development levies and targeted rates;
- 10 **authorise** the Minister of Housing, informed by advice from the Parliamentary Under-Secretary to the Minister for Infrastructure, to make further policy decisions for amendments to the IFF Act;
- 11 **note** that the Minister of Housing and Minister of Local Government will report back and seek Cabinet approval for both the policy and financial decisions relating to regulatory oversight of development levies;
- 12 **note** that the proposals will be given effect through:
  - 12.1 the Local Government (Infrastructure Funding) Bill, which holds a category six priority on the 2024 Legislation Programme;
  - 12.2 the Infrastructure Funding and Financing Amendment Bill, which holds a category six priority on the 2024 Legislation Programme;
- 13 **invite** the Minister of Local Government to issue drafting instructions for a Local Government (Infrastructure Funding) Bill to implement these proposals in relation to development levies, development agreements, and rating, including any minor, technical, or consequential changes that arise during drafting to ensure workability; and
- 14 **invite** the Minister of Housing to issue drafting instructions for amendments to the IFF Act, including any minor, technical, or consequential changes that arise during drafting to ensure workability.

Authorised for lodgement

Hon Chris Bishop  
Minister of Housing

Hon Simeon Brown  
Minister of Local Government

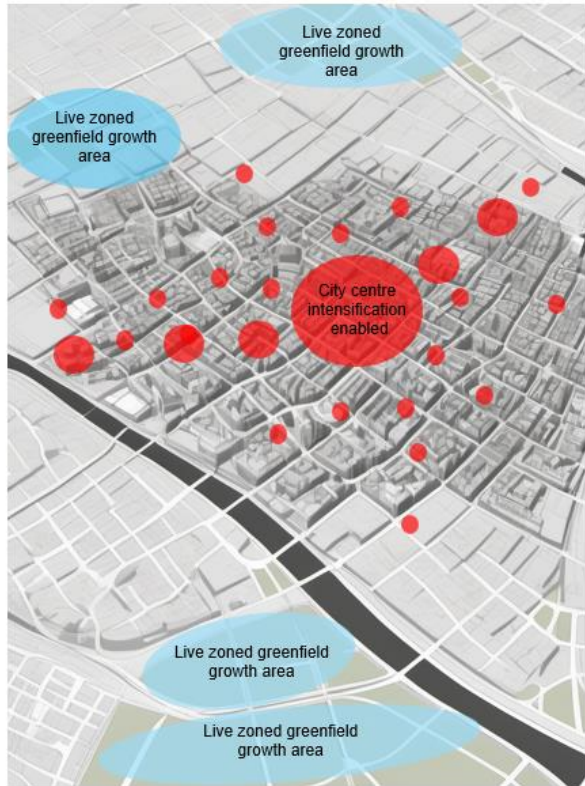
## Appendix One: Illustration of changes to the planning context for urban growth

Historic planning context – greater certainty about where and when development occurs



Note, this is an illustrative example only

Modern planning context – less certainty about where and when development occurs



● Intensification enabled around rapid transit stops ● Suburban infill enabled



## Appendix Two: Principles and flexible toolkit for infrastructure funding and financing to support urban growth

Principles	
➤ Growth pays for growth	➤ Ability to adapt investment plans as development progresses
➤ Certainty and consistency of charges for new development	➤ Flexibility about role of developers and councils
➤ Reduced financial risks for councils	

Flexible toolkit	
Development Levies (to replace Development Contributions)	
<ul style="list-style-type: none"> <li>➤ One-off, upfront charge on a developer to support council investment in growth infrastructure.</li> <li>➤ Expected to be the primary tool used for in-sequence development that aligns with council infrastructure investment plans.</li> </ul>	
Development Agreements	
<ul style="list-style-type: none"> <li>➤ Voluntary contractual agreement for a developer to provide, or pay for, infrastructure.</li> <li>➤ Useful for out-of-sequence or unanticipated development that is not aligned with planned council investment where a developer can provide upfront funding.</li> <li>➤ No significant changes proposed to existing settings.</li> </ul>	
IFF Act Levies	
<ul style="list-style-type: none"> <li>➤ Infrastructure is financed by a Special Purpose Vehicle (SPV) and funded through levies on property owners.</li> <li>➤ Useful for out-of-sequence or unanticipated development where a developer considers it is worthwhile establishing a levy/SPV instead of providing upfront funding.</li> </ul>	
Targeted Rates	
<ul style="list-style-type: none"> <li>➤ Annual charge on properties that benefit from certain council activities, including investments in growth infrastructure.</li> <li>➤ Useful tool for small councils to recover growth infrastructure costs, or for projects with a mix of growth and non-growth benefits for a specific geographic area.</li> </ul>	

\*Alongside these tools, councils can also charge financial contributions under the Resource Management Act 1991 for measures that will avoid, remedy, mitigate or offset adverse effects on the environment.

## Appendix Three: Simplified example of how a council would set development levies



<sup>1</sup> Note, water services providers will also be able to set levy zones and levies for the areas where they provide water services.

<sup>2</sup> Note, a house can be more or less than one growth unit depending on its size and some other features

\* Note, regulatory oversight of development levies will also occur. But exactly where in the process this happens is still to be determined.