

The Treasury

Urban Growth Agenda: Infrastructure Levy Model - Development Contributions Information Release

December 2019

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Cabinet Economic Development Committee

Minute of Decision

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Urban Growth Agenda: Infrastructure Levy Model – Development Contributions

Portfolio **Urban Development**

On 16 October 2019, the Cabinet Economic Development Committee:

- 1 **noted** that on 24 June 2019, Cabinet agreed to an alternative financing and funding model (the Infrastructure Levy Model) for infrastructure for housing and urban development [CAB-19-MIN-0263];
- 2 **noted** that the above decision included Cabinet agreement that:
 - 2.1 the local authority must, without public consultation, modify its development contribution policies to cease collecting compulsory development contributions in respect of infrastructure to be funded by the Levy from properties subject to the Levy [CAB-19-MIN-0263, paragraph 17];
 - 2.2 if a local authority has required development contributions or financial contributions in respect of the infrastructure to be funded from the Levy, the development contributions and financial contributions required must be transferred to the Special Purpose Vehicle to assist with the cost of constructing infrastructure [CAB-19-MIN-0263, paragraph 16];
- 3 **noted** that preventing compulsory development contributions for infrastructure to be funded by the Levy, from properties subject to the Levy, may mean that a Levy is considered ‘unaffordable’ and render a project non-viable;
- 4 **noted** that preliminary assessments of projects that are candidates for the Infrastructure Levy Model have identified that, in some instances, financing will need to be supplemented with other sources of funding to cover the full costs of infrastructure;
- 5 **agreed** that the Infrastructure Funding and Financing Bill should enable the collection of compulsory development contributions in respect of infrastructure to be funded by the Levy to supplement a project’s financing where it would otherwise not proceed;
- 6 **agreed** that relying on development contributions to supplement a revenue stream for a Levy should not be the default approach taken when developing a Levy proposal;
- 7 **noted** that under the Infrastructure Levy Model, councils are unable to double charge for infrastructure where combining development contributions;

- 8 **noted** that using development contributions to supplement a project's financing requires the trading away of core Infrastructure Levy Model objectives;
- 9 **agreed** that development contributions previously collected from properties that are subject to a Levy may be transferred to the relevant Special Purpose Vehicle, or refunded to the current land owner, and that the Special Purpose Vehicle shall have discretion as to which option is applied;
- 10 **noted** that paragraphs 5, 6 and 9 above constitute a substantial policy change from Cabinet's previous decision noted in paragraph 2, and requires, respectively, revoking and altering that decision and amending drafting instructions for the Infrastructure Funding and Financing Bill;
- 11 **agreed to recommend** that Cabinet rescind its previous decision to prevent the collection of compulsory development contributions in respect of infrastructure to be funded by the Levy from properties subject to the Levy [CAB-19-MIN-0263, paragraph 17];
- 12 **invited** the Minister for Urban Development to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above paragraphs.

Jack Petterson
Committee Secretary

Present:

Rt Hon Winston Peters
Hon Kelvin Davis
Hon Phil Twyford (Chair)
Hon Andrew Little
Hon Iain Lees-Galloway
Hon Damien O'Connor
Hon Kris Faafoi
Hon Shane Jones
Hon James Shaw
Hon Eugenie Sage

Officials present from:

Office of the Prime Minister
Officials Committee for DEV

Hard-copy distribution:

Minister for Urban Development