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Ministry of Building, Innovation and Employment

Submitted online

Submission of the Horowhenua District Council on Ministry of Housing and Urban Development and the Department of Internal Affairs exposure draft – Supporting Growth through a Development Levies System.

Introduction

The Horowhenua District Council (the Council) appreciates the opportunity to make a submission on the exposure draft from the Ministry of Housing and Urban Development and the Department of Internal Affairs - “Supporting Growth through a Development Levies System”.

Horowhenua District is growing rapidly – ours was the tenth fastest growing District according to the 2023 Census. We are experiencing both infill and greenfields growth, which means we need to upgrade existing plant as well as providing additional capacity. We reintroduced Development Contributions in 2021, after a six-year period without charging, and are generally supportive of the proposal to move to a Development Levies framework, and the intention for costs to be borne by those that generate demand for new services, rather than ratepayers in general.

Horowhenua District Context

Our District is Growing Fast

The Horowhenua District is currently experiencing higher population growth than has occurred in the past few decades, and the recent census data confirms that we are in the top ten fastest growing Districts in the country. After a period of population stagnation at the beginning of this century, where the population of Horowhenua District remained almost constant at just on 31,000 people in the decade 2000 to 2010, in the 4 years to 2014, our district began to experience notable growth, which continues to the current day. On this basis, Long-Term Plan 2015-2025 and Long-Term Plan 2018-38 each projected a steepening growth curve. Long Term Plan 2018-2038 projected annual growth of 1.2% and 1.1%, respectively, in each of the next two decades. Growth since 2018 has exceeded those projections, averaging 2% per annum. Sense Partners 2023 figures, which are the basis of the Long-Term Plan 2024-2044 population projections that underpin the Development Contributions model, predict that the resident population will grow from 37,522 in 2024 to 54,657 in 2044. The rate of growth is expected to be 1.5% per annum up until 2030 and 2.1% per annum until 2044. This population growth is expected to be accompanied by strong demand for dwelling growth.

The drivers behind our growth can be broadly summarised as:

- A thriving property market which is currently more affordable than Wellington, Palmerston North and Kāpiti Coast. The Horowhenua District provides a great lifestyle with easy access to beaches, rivers and forest parks.
- The completion of the Wellington Northern Motorway means that 760,000 people now live within an hour's drive of the district. The Ōtaki to North of Levin Expressway, currently under construction, will further improve travel times and be the largest infrastructure project in our District's History, providing many economic opportunities. Progress is being made on many of the component projects in anticipation of the 2029 expected completion date.
- Working closely with our Māori community, including pre- and post-Tiriti o Waitangi settlement Iwi/hapū, supporting their future aspirations and wellbeing across our district, as they will be large contributors to the local economy.

The resident population of the district is expected to grow substantially and is projected to be over 66,000 by 2054. Various factors (the housing market, improved highway networks, new highway under construction) have seen the Horowhenua District become a more attractive option to live in for people from surrounding Districts to either move to or work in.

Horowhenua District Council is responding by planning for growth in the district through measures including:

- The Horowhenua Growth Strategy 2020-2040 (Growth Strategy) has been updated to identify land that may be suitable for residential and industrial growth within the life of the Growth Strategy.
- Rezoning 420 hectares of land under Plan Change 4 (Tara-Ika) is expected to provide an additional 3,500 residential sites, a commercial centre and a primary school.
- A further 22 hectares of land is subject to Plan Change 6A, which was a private plan change originally and was adopted by Council. Council is currently awaiting a decision on a Plan Stop exemption. If the Plan Change proceeds, 4-500 residential units could result.
- Industrial Plan Change – initial stages.
- Levin Structure Plan as part of the Greater Wellington Growth Framework.
- Housing Action Plan.
- Streamlined Housing Process.
- Active involvement and inclusion in regional planning matters, including the Greater Wellington Future Development Strategy.
- Our 2025 Council has set out three overarching priorities to guide Council outcomes to Enable What Matters – these are Going for Growth, Future Fit HDC and Financial Discipline. Development Levies will help to achieve all three of these priorities.

With the anticipated growth in both residential and business activities within the Horowhenua District, as well as the existing drivers of growth, we are planning for an increase in people both living and working in the district.

Our Infrastructure and Current Development Contributions Policy

Horowhenua District Council currently has a Development Contributions Policy, which was last updated in 2024 as part of the most recent Long-Term Plan. Contributions are charged for wastewater, water, stormwater, roading and community facilities. These contributions are an important source of revenue for Council and assist in recovering some of the cost of providing infrastructure to support growth.

Our District is divided into nine Development Contribution areas, which reflect the varying availability of services and the relative costs of growth in relation to the services available.

TABLE 1 - SCHEDULE OF DEVELOPMENT CONTRIBUTIONS																
	Land Transport		Community Infrastructure		Stormwater			Water Supply			Wastewater Treatment			TOTAL	TOTAL (including currently unavailable services)	
	Tara-ika GA	District	Tara-ika GA	District	Tara-ika GA	Levin NE	Scheme	District	Tara-ika GA	Scheme	District	Tara-ika GA	Scheme			District
Levin		\$1,625		\$3,939			\$519	\$135		\$8,072	\$268		\$6,822	\$8	\$21,389	
Tara-ika	\$4,553	\$1,625		\$3,939	\$56		\$519	\$135		\$8,072	\$268	\$1,677	\$6,822	\$8	\$27,675	
Levin North East		\$1,625		\$3,939		\$7,349	\$519	\$135		\$8,072	\$268		\$6,822	\$8	\$28,738	
Foxton		\$1,625		\$3,939			-	\$135		\$2,058	\$268		\$7,407	\$8	\$15,440	
Foxton Beach		\$1,625		\$3,939			\$419	\$135		\$1,261	\$268		\$2,500	\$8	\$10,156	
Shannon/Mangaore		\$1,625		\$3,939			-	\$135		\$7,384	\$268		\$2,988	\$8	\$16,348	
Tokomaru		\$1,625		\$3,939			-	\$135		\$2,895	\$268		\$22,873	\$8	\$31,744	
Waitāre Beach		\$1,625		\$3,939			-	\$135		\$6,089	\$268		\$2,540	\$8	\$14,605	\$8,515
Ohau		\$1,625		\$3,939			-	\$135		\$13,924	\$268		\$14,871	\$8	\$34,771	\$5,968
Rural - no 3 waters services		\$1,625		\$3,939											\$5,564	

Figure 1 – 2024 Development Contributions for Horowhenua District

The current Development Contribution system allows Council to set contributions for each settlement based on the services available and the expected demand for growth in each area.

There are five settlements in our District that are serviced by reticulated potable water and wastewater – Levin, Foxton, Foxton Beach, Shannon and Tokomaru. Waitāre Beach currently has reticulated wastewater only. The location of the treatment stations are shown on the map below – wastewater in red, potable water in blue.

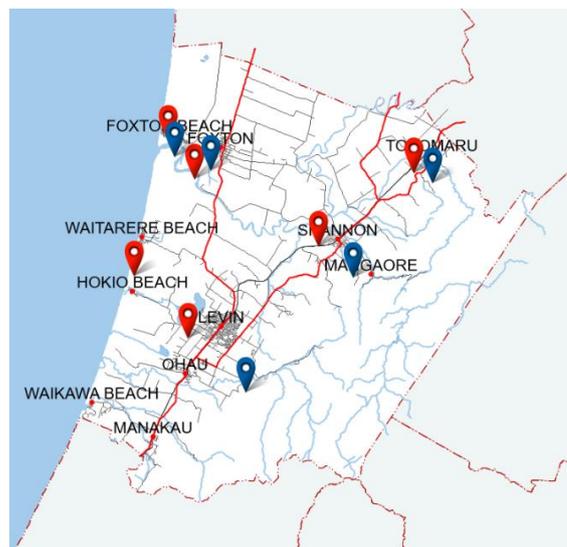


Figure 2 – Locations of wastewater and potable water treatment plants in Horowhenua District

The treatment stations generally only serve the settlement in which they are located, with the exception of the infrastructure at Foxton, which occasionally provides a top-up service to Foxton Beach, and Levin, which provides some reticulated services to parts of Ōhau.

Our Long-Term Plan (LTP) includes provision for extending water services to Ōhau in years 15 and 16 of the LTP, and Waitāre Beach in years 12-16, on the proviso that a long-term water source for Levin has been secured. Wastewater services are forecasted to be provided for Ōhau in years 8-12 of the LTP, subject to the review of a feasibility study and the completion of the Levin Wastewater Treatment Plant project. Central Districts Water may choose to retain these projects in its planning.

Like many Districts, some of our infrastructure will need upgrading to meet future demand for services. Central District Waters will need to be able to make informed and financially prudent decisions about when and how those upgrades should occur, once they take over these assets on 1 July 2027. We are also in a relatively unique situation of not having a reticulated stormwater network for private lots, meaning onsite disposal of stormwater is required, even in urban areas.

We present our response to some of the specific questions posed in the Consultation Questions in the discussion document below.

Question 1

1.2 Do you have any feedback on the overall approach for development levies?

Overall, Horowhenua District Council supports the intent of the development levy system with regard to simplifying the system for recouping development costs and standardising levies.

HDC supports the Clauses that outline the requirements of Development Levy policies, including having clear links to Councils.

Retaining the current triggers for taking a contribution/levy are supported, as this will be familiar to those in the development community and staff who will administer the policy. The current triggers generally capture the points at which development triggers demand for services.

HDC also supports the six principles intended to guide how development levies should operate, being Necessity, Sufficiency, Proportionality, Particularity, Transparency and Economic Efficiency.

We support the three-year phased transition from Development Contributions to Development Levies, aligned with LTP Cycles. This will be manageable for Councils to produce and implement new policies and will give certainty to the Development Community.

The proposal to have Development Levy policies become operative at the time of notification is supported. This will avoid the current situation, whereby there is a potential rush of applications between notification and implementation of a new policy, which has the potential to undermine the financial modelling that will go into the development of the new policy.

We also support the proposal to include options for remissions, objections and bespoke calculations, all of which are included in our current policy. This support comes with some caveats, namely that Councils (or the Waters Entity) must have discretion to either allow or decline any such application, and the administrative cost of deciding on the outcome of any application for remission, objections or bespoke calculations.

One concern is that the current timing of this submission period for the exposure draft doesn't allow three waters entities to fully participate in the process, given that most entities are not yet staffed to the point where they can participate fully in this consultation. It is imperative that these entities are able to be accommodated to participate in future consultation as this exposure draft moves through the process to become a Bill, given that these entities are likely to be the most affected by this change, as they will set and receive the levies for wastewater, potable water and stormwater which make up the majority of levies to be paid.

We support in principle the move to simplify the system and move to a more standardised structure but are unsure as to how this may look in a District such as Horowhenua, with a number of serviced settlements with distinct servicing, as shown in Figure 2 above. It appears that the proposed system, 'one levy per geographic area', assumes one main settlement and potentially shared services between settlements. Whilst we are aware that this is the case for some territorial authorities, it is not the case for Horowhenua District, and we have some concerns that our smaller settlements may essentially prop up development in Levin if we are only able to establish a single levy area. We note that there may be the ability to use high-cost overlays, but there is little guidance at this stage as to when such overlays may be able to be used.

The government has previously indicated that targeted rates would be another potential tool in Council's financial toolbox to recoup the cost of growth where projects benefit both new and existing communities as part of Pillar 2 of the Going for Housing Growth programme. As yet, no details have been released on how this system is intended to work. Some guidance on this, and how targeted rates would work alongside development levies, will be useful to Councils in order to assist in deciding how best to fund future growth.

We note that there are a number of clauses in the exposure draft that are yet to be completed. We look forward to a more complete draft becoming available in the fullness of time, so that we can better understand how this

new system might work and the effects it will have on our residents and development community.

Outcomes sought:

1. Allow Development Levy authorities to have full discretion to grant or decline applications for remission, objections or bespoke calculations.
2. Provide guidance on how Development Levies could be implemented in areas with multiple settlements with separate services.
3. Provide further guidance on when a high-cost overlay would be appropriate to use.
4. Provide details on targeted rates and how these are expected to be implemented.

Question 5

5.1 Can you provide case studies or examples that are representative of first mover developments?

5.2 Are there other ways of ensuring fairness to first-mover developments?

We support the proposal to allow Councils to be enabled to reimburse first mover developers who provide infrastructure that supports development beyond their own site. At present, the only means we have of encouraging developers to upsize services and ensure that costs are able to be recouped is to undertake a developer agreement, and get agreement at the same time from the owners of the land that will benefit from the upsized services to pay an additional contribution at the time they develop – no easy feat. The current system for developer agreements does not encourage efficient development or adequately enable first mover developers to put in additional capacity, and we are sometimes left in a position whereby owners will apply to only put in services for their own development, meaning that those services are likely to need to be ripped up and replaced by larger services in the future, usually long before they have reached the end of their useful life.

Our Council has one large, rezoned area of 420 hectares, Tara-Ika, which is now starting to be developed. The growth area has an approved structure plan, as shown below. There are a number of landowners, with both small and larger holdings, within the growth area. Internal infrastructure will need to be provided to the site by developers and there will be instances where it would be beneficial for upsized infrastructure to be delivered, to support future integrated growth. The current system does not allow for this eventuality.



Figure 3: Tara-Ika Structure Plan, Appendix 4.4G [ePlan - Horowhenua District Council](#)

Council also adopted Plan Change 6A, which is awaiting a decision on a Plan Stop Exemption. That application started as a private plan change, with four landowners making the application. Should that plan change proceed, capacity for up to 500 dwellings could be provided, which would cater to some of the expected growth within the district. This will be another case where it is likely that a first-mover developer could provide capacity for additional development, but the current system does not easily facilitate this outcome.

for staff to administer, given that the number of bedrooms is stated on a building consent form and is easily verified by checking building plans. It is noted that there is the potential for applicants to attempt to circumvent this check by designating bedrooms as other uses on the building plans (e.g. office/rumpus/additional living space). A clear definition of bedroom should therefore be included to include rooms that may be used as a bedroom and should refer to the Housing Improvement Regulations 1947 and the Building Code.

In the three years 2023-2025, HDC has issued 705 building consents for new dwellings, to create a total of 959 units, with an average of 2.71 bedrooms per unit. Based upon this, a three-bedroom unit would be a good proxy for the average sized dwelling/standard unit of demand.

The breakdown of these consents is as follows:

Number of Bedrooms	Count
1	90
2	292
3	424
4	131
5	16
6	4
7	2
Total:	959

Whilst we can see that the vast majority of recent consents for dwellings have been for dwellings of four bedrooms and under, there are still 22 consents for larger dwellings.

We ask that consideration be given to charging for bedrooms individually (i.e. not essentially capping charges at the four-bedroom rate). Larger dwellings can cause greater demand for services, so a per bedroom rate would allow for that potential demand to be captured. For example, we can see that there have been two seven-bedroom dwellings consented in the past three years; such dwellings would only be liable for the same level of development levy payment as a four-bedroom dwelling but would have the potential demand of more than two 'average' dwellings.

Capping the rate of levies to the four-bedroom rate essentially means that developers of smaller dwellings, and potentially ratepayers on the whole would be subsidising those that build larger dwellings and goes against the 'developer pays' and greater cost recovery ethos that underpins the proposed development levy system.

Outcomes sought:

1. Adopt the use of the number of bedrooms as the metric for dwellings to determine
2. Include a definition of 'bedroom' in the guidance document. We suggest that the definition references current industry standards and includes any room capable of being used as a bedroom, in order to prevent people avoiding paying full levies by designating bedrooms as other uses (such as 'office', 'study' etc.)
3. Use a metric of 0.33 levies per bedroom to determine the levy payable for a dwelling and remove the capping of bedrooms payable set out in Table X of the discussion document so that all bedrooms are chargeable.

Question 17

17.1 Are there specific aspects of the levy regulations that you would like the opportunity to provide input on?

Provision for Crown Exemptions

We understand that there is no provision proposed to exclude Crown Exemptions from paying a contribution/levy on Government Buildings. We disagree with the crown exemption should be retained in relation to development levies, given that the Crown is the one of the largest landowners/developers in the Country and many of their projects create substantial demand for services.

This is particularly relevant to Horowhenua District, where a new school is expected to be established within the Tara-Ika area. The new school will no doubt cause demand for services, and the cost of providing those services will fall upon ratepayers if the Crown as the developer is not liable for their share of the costs.

Outcome Sought:

1. That a clause be added to the draft Bill which would create a new section 8(2) (ba) of the Local Government Act 2002 adding subparts 5 and 5A of Part 8. The effect of this is to ensure that both development contributions and development levies are assessable on Crown developments.

Taitūara Submission

Horowhenua District Council have viewed the Taitūara submission on this same topic and confirm that we support that submission.

Summary

In summary, Horowhenua District Council supports, in principle, the proposal to replace the current Development Contributions system with Development Levies. However, this is subject to some concerns and further questions we have set out in this submission to the current exposure draft. We also support the Taitūara submission on the exposure draft.

Thank you for the opportunity to make this submission. We would be happy to speak to our submission if this would assist in understanding.

Yours Sincerely



Bernie Wanden, JP
District Mayor