



Registered Master Builders Association of New Zealand Incorporated

Submission on Supporting Growth Through a Development Levies System

February 2026

The Registered Master Builders Association submission on Supporting Growth Through a Development Levies System

The Registered Master Builders Association (Master Builders) welcomes the opportunity to submit to the Department of Internal Affairs on Supporting Growth through a Development Levies System consultation.

About Master Builders

The Master Builders represents over 3,000 commercial and residential builders and are the leading sector advocates on the built environment. Our members have been building the places where New Zealanders live, work, and play, since 1982.

Our sector is a key contributor to the New Zealand economy. For the year ended March 2024, the construction sector contributed 6.2 per cent of the country's real Gross Domestic Product (GDP) accounting to over \$17.2 billion¹. It also employed 294,100 people (or 10 per cent of the country's total workforce) in the year ended September 2024².

We are working hard to lead the change our sector needs by ensuring we have the regulatory systems and processes in place to build faster and better. We are supporting our members to grow their capability and business acumen to ensure a strong and healthy sector; to innovate and make the most of new technologies so we meet the climate change challenge; and to attract, train and retain skilled talent. We are proud to be New Zealand's best builders.

At Master Builders we are committed to transforming the sector and rebuilding our economy. We are focused on building better homes, communities and workplaces, and ultimately better lives for all New Zealanders. We want to ensure that the houses that we build now are well-built, accessible, affordable, and appropriate to the needs of our ever-changing society. We are building a better New Zealand.

Our members are supported on the ground by 23 branches across 6 regional hubs:

Branch hub	Serving
Auckland	Auckland, Northland, Coromandel
Midlands	Waikato, Tauranga, Whakatāne, Rotorua, Taupō
Central North Island	Taranaki, Whanganui, Hawke's Bay, Manawatū, Gisborne
Cook Strait	Wellington, Wairarapa, Nelson, Marlborough, West Coast
Canterbury	Canterbury, Ashburton, South Canterbury
Southern	Otago, Central Otago, Gore, Southland

¹ Statistics New Zealand – Infoshare: Gross domestic product – March 2024

² Statistics New Zealand – Infoshare: Household Labour Force Suvey – September 2024

1. Introduction

- 1.1 Master Builders welcomes the opportunity to provide feedback on the Supporting Growth through a Development Levies System consultation.
- 1.2 We support the intent to reform the existing development contributions system. New Zealand faces a longstanding infrastructure funding deficit driven by population growth, historic underinvestment in renewal and maintenance, and an over-reliance on local authority balance sheets. From a property sector perspective, the current development contributions regime has become increasingly opaque, unpredictable, and difficult to apply consistently, undermining development feasibility and impacting housing affordability.
- 1.3 However, Master Builders has several reservations about the proposed development levy scheme as currently designed. While the framework has the potential to improve consistency and funding certainty, aspects of the methodology, underlying principles, and implementation risk increasing uncertainty, inflating costs, and weakening confidence if not carefully calibrated.

2. Summary of Position

- 2.1 Master Builders acknowledges the positive intent behind the proposed development levy scheme; however, we have several concerns regarding its current design. Although the framework offers opportunities for enhanced consistency and funding certainty, elements of the methodology, foundational principles, and implementation parameters may inadvertently contribute to cost volatility, undermine accurate cost attribution, and diminish confidence in housing delivery if not thoroughly calibrated.
- 2.2 For our members, certainty, proportionality, and transparency are critical. Builders operate on tight margins, fixed-price contracts, and long development pipelines and sudden levy increases such as the jump in Auckland development contributions, unclear transition rules, and weak accountability mechanisms directly affect project feasibility and housing supply.
- 2.3 We set out recommendations below that are intended to ensure the development levy regime supports growth without undermining housing affordability and delivery.

3. Recommendations

3.1 Prevent levy price shocks and restore certainty

Master Builders recommends a mandatory notice period before any development levy policy, or levy price change, takes legal effect. Levy liability must also be fixed at a clearly defined stage in the consenting process so builders and developers can price projects with confidence and avoid sudden cost increases being imposed mid-stream.

3.2 Implement a nationally consistent phase-in

We support a nationally consistent phase-in of development levies over three years, rather than leaving transition settings to council discretion. Clear nationwide step-up and cut-off dates should be set so the sector can plan and adjust in an orderly way.

3.3 Prevent double charging during the transition

We recommend mandatory reconciliation and crediting mechanisms to ensure developments are not charged twice for the same infrastructure under both development contributions and development levies. This must include transparent crediting of prior contributions, defined refund processes and timeframes, and clear reporting on how previously collected revenue is accounted for in levy calculations.

3.4 Keep levies strictly tied to growth enabling infrastructure

We recommend that development levies be strictly limited to capital expenditure demonstrably required to enable growth. Levies must not be used to fund renewals, maintenance, level-of-service upgrades, amenity projects, or historic underinvestment, unless councils can clearly evidence that the timing and scope of the investment is growth-driven.

3.5 Strengthen ring-fencing and maintain a credible link to delivery

We support stronger ring-fencing requirements so levy revenue is used for the relevant infrastructure service and within the levy area where it was collected. Development levies policies should also be required to include a publicly exhibited levy-funded infrastructure programme, supported by indicative delivery sequencing and regular reporting on levy collection and infrastructure delivery outcomes.

3.6 Reduce cross-subsidisation and protect intensification

We recommend levy areas be smaller and aligned to infrastructure cost realities to reduce cross-subsidisation between development types. The regime must protect brownfield and infill housing supply from subsidising high-cost greenfield infrastructure through overly aggregated levy areas.

3.7 Standardise levy calculations and strengthen cost discipline

We support nationally consistent calculation rules and parameters, including standardised treatment of financing costs, contingencies, and discounting. Regulations should require that future costs are appropriately discounted (NPV), and that councils cannot apply discretionary cost assumptions that inflate levies without evidence and independent scrutiny.

3.8 Require meaningful transparency and reconciliation over time

We recommend strengthening information disclosure so it includes not only forward-looking assumptions, but also retrospective performance reporting. Councils should be required to report what was collected, what was delivered, and where there have been material deviations from forecasts. Mandatory periodic reconciliation should be required so levy settings track realised growth and actual infrastructure delivery.

3.9 Remove or limit interest settings that undermine feasibility

We recommend removing quarterly compounding interest on deferred development levy payments. If interest is retained, it should not accrue until late in the development lifecycle, when infrastructure demand is actually created, rather than from early assessment stages. This in turn protect builders from cashflow penalties.

3.10 Establish a strong independent regulator from day one

We support greater oversight and an independent regulator from day one and recommends the regulator be given sufficient statutory authority to independently review levy settings and

assumptions, require amendments, direct corrective action, and enforce consistent application across councils and service providers. Oversight must be substantive not purely procedural.

3.11 Provide an effective disputes pathway and practical tools

We support an independent objections process that enables challenges to both individual levy assessments and the underlying calculation methodology. Councils should also be required to publish and maintain a publicly accessible levy calculation tool particularly for builders and developers to support early feasibility assessment and reduce disputes.

3.12 Retain incentives for low-demand and resilient development

We support levy reductions or remissions where developments demonstrably reduce infrastructure demand or lifecycle costs through resilience, adaptation, and demand-management measures (for example, stormwater mitigation and water-sensitive design).

4. Conclusion

- 4.1 Master Builders supports reform of the existing development contributions system and recognises the need for a more sustainable infrastructure funding framework.
- 4.2 However, without stronger safeguards around notice periods, transition settings, scope discipline, transparency, and independent oversight, the proposed development levy regime risks increasing cost volatility and undermining housing delivery.
- 4.3 The recommendations outlined in this submission are intended to strengthen certainty, maintain the integrity of the 'growth pays for growth principle', and ensure the regime is workable in practice for builders delivering homes across New Zealand.
- 4.4 We thank you for the opportunity to make this submission.

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