Registered Master Builders Association of New Zealand Incorporated

Submission on Tauranga City Council Development Contributions Policy 2025/2026

April 2025

The Registered Master Builders Association submission on Tauranga City Council Development Contributions Policy 2025/26

Master Builders welcomes the opportunity to submit to the Tauranga City Council on their Development Contributions Policy 2025/26.

About Master Builders

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 billion[1]. It also employed 294,100 people (or 10 per cent of the country's total workforce) in the year ended September 2024[2].

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 appreciates the opportunity to provide feedback on the Tauranga City Council's Local Development Contributions Policy 2025/26.

1.2 Master Builders opposes the proposed Annual Plan due to operational cost exceeding revenue.

1.3 Tauranga City Council is proposing to increase residential rates by 12 per cent for residential ratepayers and between 16.3 per cent to 19.6 per cent for commercial and industrial ratepayers. This is a significant increase for commercial and industrial ratepayers.

1.4 We suggest that cost savings through reductions in employee and consultant expenses as Mayor Drysdale suggested in March 2025. We suggest revenue generation from exploring alternative funding and financing solutions and spreading the rating base more equitably.

2. Recommendations

2.1 To support the city's growth ambitions while maintaining economic feasibility for builders and developers, Master Builders recommends a range of improvements to the Development Contributions Policy.

2.2 We believe Tauranga City Council should place greater emphasis on how growth is funded. In practical terms, this means introducing limitations on how much development contributions can increase each year to ensure greater certainty for developers in addition to implementing alternative funding and financing tools for infrastructure that will reduce cost pressures on new developments.

2.3 Alternative tools that we believe could be applied to Tauranga City Council are Special Purpose Vehicles (SPVs), Infrastructure Funding and Financing (IFF) arrangements, or targeted rates that more equitably distribute costs.

2.4 Staff and consultancy costs make up 31 per cent of operating cost. Internal cost-saving measures should be prioritised particularly through reducing staff and consultancy spending, that was previously suggested by Mayor Drysdale.

2.5 Make clear that the "Growth pays for growth" principle means development contribution fees are ring-fenced and only covers cost for growth related infrastructure. Council should improve reporting processes to allow developers and the public to easily access information on how contributions are spent.

2.6 Pause the Draft Development Contributions Policy until the Government releases new requirements for councils under their development levies programme.

2.7 To enable growth where it is most urgently needed, we support the immediate establishment of local development contribution catchments in Upper Ōhauiti, Tauriko Stage 4 Tranche 1, and Tauriko West. These areas present significant opportunities for housing and commercial development and should be unlocked without delay.

3. Guiding Principles

3.1 Tauranga City Council has a guiding principle of Growth pays for growth. This principle ensures that developers and new residents cover the costs of growth-related infrastructure, reducing the financial burden on existing ratepayers.

3.2 For this principle to ring true, we would like to see Tauranga City Council amend their development contributions policy to ring-fence development contribution fees to be spent in the area that they are collected and not be spent on maintenance or upgrades of existing buildings such as community facilities. Please read this in light of section 10 later in our submission where we recommend a pause in Development Contribution policy.

4. Rates

4.1 Tauranga City Council is proposing to increase residential rates by 12 per cent for residential ratepayers and between 16.3 per cent to 19.6 per cent for commercial and industrial ratepayers. This is a significant increase for commercial and industrial ratepayers.

4.2 Tauranga City Council's operating revenue for the year is reported at $538 million which falls short of its projected operating costs of $599 million. This indicates a substantial budget gap that must be addressed to ensure financial sustainability. Notably, 31 percent of the Council's operating revenue is currently allocated to employment and consultancy expenses. In light of this, we strongly recommend that the Council undertakes a review of its internal and external staffing expenditures and implements meaningful reductions in these areas to help restore fiscal balance.

4.3 Tauranga City Council's general rates account for 47 percent, with targeted rates and fees and charges each contributing 15 percent of total rates collected. Combined, fees and charges and targeted rates make up 30 percent of operating revenue. As the consultation document considers increasing these further, we recommend the Council review its fees and services to ensure they are cost-recovering and not used to subsidise additional services or events.

4.4 Tauranga City Council's rating policy changes would see residential rates share reducing to 65 per cent with commercial moving up to 15 per cent and industrial to 20 per cent over the next two years. We do not support this rating policy which will see commercial and industrial properties pay 35 per cent of the total general rates share.

4.5 Under the proposals, commercial and industrial rate payers will be left paying a disproportionate share of general rates, relative to their share of the total capital value of properties across Tauranga. Other cities such as Auckland have previously acknowledged the disproportionate impact of rating differentials on business and have reduced rating differentials to 31 per cent of the total rates pool.

4.6 We recommend Tauranga City Council produce a detailed report on the total capital value of residential and commercial/industrial properties across Tauranga and divide rates more proportionally.

5. Proposed change to industrial category

5.1 Tauranga City Council is proposing to change the definition of the industrial category to exclude any industrial rating units with a land area less than 250m2. This change would see $601,000 spread across the remaining industrial rating units.

5.2 If Tauranga City Council does not remove the separate industrial category, we would favour the status quo. Namely, that all industrial properties are charged at the industrial property rate. This is to ensure that the rating base is spread more fairly and would not result in even higher rates increases for industrial property owners.

6. Tauranga's projected property growth rate in decline

6.1 Tauranga's projected property growth rate has underperformed. While the Annual Plan anticipated a growth rate of 1.5 percent over the last 12 months, actual data indicates growth was only 0.5 percent. This has resulted in general rates revenue being lower than forecasted, putting further strain on Council's operating budget.

6.2 Local policy and regulatory settings are key influencers of market confidence and development feasibility. Over the past year, Tauranga City Council has implemented a range of measures that have added cost and complexity to development, including:

- Increase general rates;
- Increase rating differentials for commercial and industrial sectors;
- Introduce an industrial rating category (at a higher percentage and dollar amount than commercial rates) for industrial property owners;
- Introduce Citywide Te Tumu Targeted Rate for transport services;
- Introduce Citywide Development Contribution Fee increases in 2024, and proposed 15 per cent Citywide Development Contribution Fees for 2025/26; and
- Enacted plan changes that took immediate legal effect and resulted in natural hazard overlays being established on a wide range of properties and land overnight.

6.3 The cumulative effect of these changes has been to introduce uncertainty and added cost for developers. This uncertainty undermines confidence and impedes investment, potentially explaining the city's subdued growth rate.

6.4 If Tauranga is to grow its rating base and improve housing and commercial outcomes, the Council must develop a more sophisticated understanding of current market conditions. Specifically, Council should explore the drivers behind slowed growth and adopt policies that restore development confidence.

6.5 We would welcome the opportunity to collaborate directly with Tauranga City Council through a facilitated workshop to share sector insights. This could cover development market cycles, financial feasibility considerations, and viable incentives to stimulate growth. Enhanced engagement would enable better alignment between Council policy and development realities on the ground.

7. Local Government Funding Agency Support

7.1 The Local Government Funding Agency (LGFA) has confirmed it will review Tauranga City Council's borrowing capacity once the city's water management strategy is finalised. In parallel, the LGFA has committed to providing financial support for water-focused Council-Controlled Organisations (CCOs) under the Government's Local Water Done Well programme. This support extends to high-growth councils such as Tauranga, enabling access to additional finance that can also be applied to non-water infrastructure projects essential to supporting broader urban development

7.2 This represents a valuable opportunity for Tauranga City Council to access new capital that should be prioritised toward projects which unlock growth and housing delivery. With the city experiencing just 0.5 percent growth in its rating base - far below the 1.5 percent projection set out in the Annual Plan - the resulting shortfall in rates revenue is a reminder of the critical importance of enabling development. Investment in growth infrastructure has a direct link to expanding the rating base and enhancing city vibrancy.

8. Draft Development Contributions Policy 2025/26

8.1 Tauranga City Council is proposing a 15 percent increase in citywide development contributions for residential development. The draft policy establishes three new local development contribution catchments: Tauriko Business Estate Stage 4, Tauriko West, and Upper Ōhauiti.

8.2 We are concerned that a 15 percent increase to citywide development contributions could make Tauranga uncompetitive relative to other high-growth areas. Such significant increases, particularly when layered on top of broader cost inflation in the sector, risk deterring much-needed investment in housing.

8.3 The Government has recently announced a development contributions reform programme, including the introduction of a development levy framework with more consistent application and the requirement to ring-fence fees for infrastructure delivery. We strongly support this direction and believe it should inform local policy decisions.

8.4 In light of these upcoming changes, we recommend Tauranga City Council pauses its current Development Contributions Policy review. Proceeding now risks misalignment with a soon-to-be-released national regime and may result in wasted effort or the need for further revisions in the short term.

8.5 A pause would reduce demand on Council resources during a transitional period while also providing certainty for developers. This would allow the current policy to remain in place until the new legislative framework is introduced, at which point a comprehensive review could be undertaken.

8.6 Failing to pause may create avoidable disruption. Developers are unlikely to commit to projects under a policy that may be superseded within the year, and this uncertainty could delay or stall housing delivery.

8.7 We recommend that Tauranga City Council proceeds only with the aspects of the policy that unlock development in key areas. Specifically, the local development contribution catchments for Upper Ōhauiti, Tauriko Stage 4 – Tranche 1, and Tauriko West should be enabled immediately. However, Tauriko Stage 4 – Tranche 2, which has less clarity on charging and readiness, should be deferred and reviewed under the incoming development levy system.

9. Impact of Contribution Fee Increases on Growth and Employment

9.1 Development contributions, when appropriately set, can support the delivery of infrastructure that enables growth. However, excessive increases risk achieving the opposite. Raising citywide residential development contributions by 15 percent introduces uncertainty into project feasibility assessments and may act as a deterrent to investment.

9.2 Likely consequences of these increases include higher end costs for buyers and occupiers, delaying or cancelling of planned projects, and a shift toward less affordable housing typologies that require fewer financial commitments to deliver.

9.3 The broader economic impact is also significant. The property and construction sector employs approximately 13,700 people across the Bay of Plenty region, many of whom are based in or connected to Tauranga. A slowdown in development would affect not only construction firms but also a wide network of subcontractors and suppliers.

9.4 For example, a typical land development project can employ around 130 people over its duration, while a 100-unit apartment project might employ over 300 people. If projects are deferred or redirected to more supportive jurisdictions such as Waikato or Auckland, Tauranga risks losing both economic activity and employment.

9.5 Excessive or poorly timed fee increases reduce development activity, reduce employment, and ultimately reduce the Council's own revenue. Tauranga City Council must carefully balance its funding needs with the economic realities of the market.

10. Alternative Funding and Financing Options

10.1 We strongly support the adoption of alternative infrastructure funding tools to reduce pressure on traditional contributions. These include targeted rates, public-private partnerships, and the use of Special Purpose Vehicles (SPVs) enabled under the Infrastructure Funding and Financing Act.

10.2 SPVs are particularly effective because they sit outside of Council balance sheets and avoid impacting debt levels. They also enable faster delivery of critical infrastructure while aligning repayment responsibilities with the beneficiaries of that investment.

10.3 These tools enhance transparency and fairness by applying the principle of "beneficiary pays" and are better aligned with the legislative intent under both the Local Government Act 2002 and the Local Government (Rating) Act 2002. Tauranga City Council has already demonstrated leadership by using SPVs for the Transport System Plan and Civic Precinct, and we encourage further use of these mechanisms going forward.

11. Conclusion

11.1 Tauranga is at a pivotal stage in its development. As one of New Zealand's fastest-growing cities, its future success depends on creating an environment that enables growth, investment, and affordability. The decisions made in this Development Contributions Policy will shape the housing, employment, and infrastructure outcomes for years to come.

11.2 We urge Tauranga City Council to reconsider the scale and timing of the proposed development contribution increases and to adopt a more balanced, future-focused approach. A partial pause in the policy review—particularly in light of central government reform—would offer certainty for developers and time for alignment with new funding frameworks. At the same time, Council should focus on enabling targeted growth areas, such as Tauriko and Upper Ōhauiti, and ensure infrastructure funding mechanisms are equitable, transparent, and responsive to real-world development cycles.

11.3 Master Builders stands ready to work collaboratively with the Council. We support solutions that meet both the city's infrastructure needs and the sector's capacity to deliver high-quality, affordable development. With clear, consistent policy and constructive engagement, Tauranga can remain a leader in growth, livability, and economic strength.

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