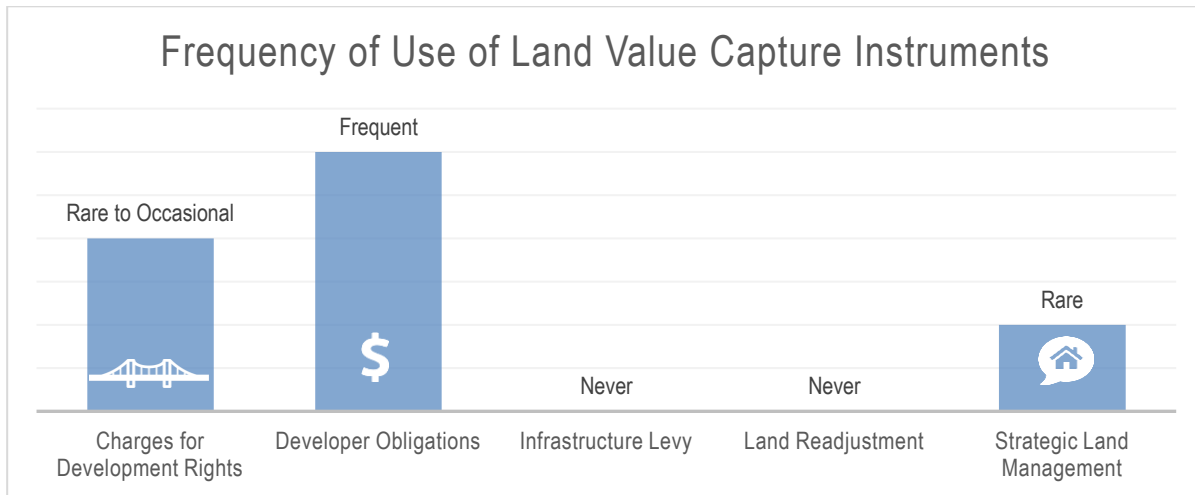


New Zealand



Land value capture instruments are occasionally used in the country. The most frequently adopted instrument is developer obligations, by which developers contribute to offset the impacts of project development on local infrastructure. Charges for development rights are seldom used, and only in specific cities. Strategic land management is a recent concern for the national government. The infrastructure levy has not been implemented. However, since 2020 the government agency Kāinga Ora - Homes and Communities has powers to levy “betterment payments”, but operational regulations are still pending. Whilst land readjustment has had some use in rural areas, in cities it has been limited to urban renewal programmes and recent government initiatives.

Main instruments

Instrument (OECD-Lincoln terminology)	Local name	National legal provision	Implementation	Use
Developer obligations	<i>Development contributions</i>	Sections 106 and 197 of Local Government Act (2002)	Local governments	Frequent
Charges for development rights	<i>Inclusionary Zoning, FAR Bonus, Transferable Development Rights</i>	Local Government Act (2002) and the Affordable Housing Enabling Territorial Authorities Act (2008) now repealed	Local governments	Rare to occasional
Strategic land management	<i>None specific</i>	Land Act (1948) and Urban Development Act (2020)	National and local governments	Rare



Enabling framework

New Zealand is a unitary country with two tiers of subnational government, composed of 11 regional councils at the regional level and 67 territorial authorities at the local level (OECD/UCLG, 2019^[1], p. 208). There are two types of territorial authorities: city councils (12), with a predominantly urban population of more than 50 000 inhabitants, and district councils (55), which are smaller and more sparsely populated (OECD/UCLG, 2019^[1], p. 209). The metropolitan area of Auckland, where one third of the country's population live, has a distinct territorial organization, formed by an amalgamation of the previous regional council and seven territorial authorities (OECD/UCLG, 2019^[1], p. 209).

Regional councils are responsible for *Regional Plans and Policy Statements*, and territorial authorities are in charge of zoning and land use matters, through *District Plans* (OECD, 2017, p. 158). Auckland Council is responsible for the *Auckland Unitary Plan*.

The national level creates the framework for land value capture. The *Land Act* (1948), the *Local Government Act* (2002) and the *Resource Management Act* (1991) provide this framework. The recently approved *Urban Development Act* (2020) establishes the powers for a government agency *Kāinga Ora - Homes and Communities* to implement some land value capture instruments.

Much of the country's land area is devoted to pastoral farming, agriculture and mountain ranges. The use of land value capture instruments is predominantly in urban areas, including the largest cities – Auckland and Christchurch. The provincial centre of Queenstown Lakes has implemented land value capture tools, notably a form of charges for development rights called Inclusionary Zoning.

The Indigenous People Māori make up over 17% of the country's population. Māori tribal organisations hold and develop both rural and urban land. Differing understandings of Māori land value, including legal, financial and cultural complexities, are not addressed here.



Developer obligations

Local councils charge private developers when they apply for new development or development at higher density, due to the impacts of the development upon local infrastructure. Under the *Local Government Act* (2002), developer obligations are part of the current land use planning process, and therefore are factored into all private sector development applications. Under the *Resource Management Act* (1991), a financial contribution may be required to address negative environmental effects of the development. By charging developer obligations, local councils can recover part of the costs of infrastructure investments.

The charge is paid in cash or through land transfers to the government, in this case for the purposes of building public parks and other public spaces. Projects with social purpose, such as hospitals, schools and elderly care facilities, may be exempted from paying the charge.

The charge may be calculated using an established rule or be negotiated following a structured procedure. The rule takes into consideration the public improvement's costs and the characteristics of the private development, such as zone, market value, type and size.

New Zealand

| 3

When negotiated, the process is occasionally contested. Developers argue that payments should be made after the project is completed, whereas local governments ask for contributions up front. Developers often complain that large contributions may undermine the viability of proposals.

Although the majority of the contributions are not contested, the minority that are contested are on the basis of financial unviability, which constitutes an obstacle to wider implementation.



Charges for development rights

Local governments can require developers to provide public amenities or affordable housing units in exchange for the authorisation to build at higher density. There are three types of charges for development rights: Inclusionary Zoning, density bonuses and Transferable Development Rights. Local governments rarely implement charges for development rights.

The charge is negotiated with developers, following a case-by-case procedure. Developers are required to build affordable housing units, but alternatively they can pay a fee or provide the land. If they provide affordable housing units, the units are built on-site, within the boundaries of the project. The units must fall under a particular set price point and must be retained in perpetuity as affordable.

The city of Auckland has used density bonus schemes primarily for large scale office buildings. In return for additional density, developers have provided public amenities – such as public toilets, public spaces, walkways, early childcare centres and nurseries. The density bonus scheme is not part of the current land use plan, and is not used to deliver affordable housing.

There is only one operational Inclusionary Zoning scheme in New Zealand, in the Queenstown Lakes District, whereby developers contribute to affordable housing provision via land, money or dwellings, in exchange for additional density.

Transferable Development Rights are operational when subdividing rural land for residential development. The instrument of density bonuses has not been used to deliver affordable housing units.

The lack of adequate legal frameworks constitutes the main challenge to implementation.



Strategic land management

Strategic land management could be used to facilitate land consolidation, control urban growth, capture capital gains, create land reserves for social housing and for future developments. National and local governments rarely implement strategic land management and receive the revenues, but, with the 2020 Urban Development Act, change is expected to be under way.



New Zealand

| 4

The legislation dates back to the *Land Act* (1948), which provides the basis for leasing Crown land in rural areas, primarily for pastoral farming. In rural areas, public land is typically leased to generate public revenues, for farming purposes and for the protection of significant landscapes.

For urban lands, significant urban redevelopment projects in a small number of cities adopted a strategic approach. Existing low-density social housing areas have been reconfigured and redeveloped at three-times the density, for social housing, and both affordable housing and market-priced housing for purchase. This approach has been extended with the *Urban Development Act* (2020).

The government acquires land via purchases at market price or through transfers from another public entity. Through acquisition, different parcels of land are brought together, which enables development. After development, the land is destined for public purposes, including affordable housing, or is sold or leased in the private market, at higher prices. The government recovers investments in land acquisition and development through the sale of rezoned and developed plots.

Since 2020, the government agency *Kāinga Ora – Homes and Communities* can acquire land with the goal of developing housing. Any type of land may be acquired, as long as it is appropriate for residential development. The agency will conduct basic physical preparation and build the housing units. Given that the legislation dates from 2020, the challenges to implementation are yet to be seen.