

19 June 2020

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Christchurch City Council Draft Annual Plan 2020-21

1. Recommendations

1.1 Given the current climate due to the COVID-19 pandemic and the economic recession, Property Council South Island Branch (“Property Council”) recommends the following:

Rates:

- a. Adopt an average rate increase of 3.5 per cent and debt-to-revenue ratio at 239 per cent; and
- b. Investigate and adopt alternative funding mechanisms to more accurately reflect the rating base and ensure successful delivery of the capital programme.

Capital programme:

- c. Focus on core infrastructure, such as upgrades to water services and roads, as well as projects that would help boost local economy during the recovery period.

Strategic framework:

- d. Reinstate the public transport priority in the Strategic Framework to ensure prioritisation of public transport-related projects and supporting infrastructure; and
- e. Continue supporting ChristchurchNZ given its role in stimulating sustainable economic growth for a more prosperous Christchurch.

Depreciation:

- f. Leverage Central Government’s building depreciation policy.

2. Introduction

2.1 Property Council’s purpose is; “Together, shaping cities where communities thrive”. We believe in the creation and retention of well-designed, functional and sustainable built environments which contribute to New Zealand’s overall prosperity. We support legislation that provides a framework to enhance economic growth, development, liveability and growing communities.

2.2 Property Council’s South Island Branch has 192 businesses as members. The property industry contributed \$15.4 billion in 2016 to the Canterbury economy, with a direct impact of \$5.5 billion (13 per cent of the GDP) and indirect flow-on effects of \$9.9 billion. It employs 53,050 people directly

which equates to 12 per cent of the total employment in Canterbury. For every \$1.00 spent by the Property Industry it has a flow-on effect of \$1.81 to the Canterbury region.

- 2.3 The Canterbury region’s building stock is worth \$74.3 billion. Commercial property makes up \$13.8 billion or 19 per cent of the building stock. It includes offices, retail, hotels and industrial buildings, and residential property makes up \$60.5 billion or 81 per cent. In 2016, within the Canterbury region there was 12.6 million m² of commercial building floorspace (i.e. 13 per cent of all the commercial building floorspace). Christchurch city has 69 per cent of the commercial floorspace in the region.
- 2.4 This submission responds to [Christchurch City Council’s Draft Annual Plan 2020-21](#) (“Annual Plan”) and [Draft Annual Plan 2020-21 Consultation Document](#). In preparing our submission we sought and received feedback from a selection of our Christchurch-based members. Comments and recommendations are provided on those issues that are relevant to Property Council and its members.

3. Council’s response to COVID-19

- 3.1 We commend Christchurch City Council (“the Council”) response to cushion the impact of COVID-19 by revising the draft Annual Plan 2020-21. While we are generally supportive of the revised Annual Plan, there are certain aspects of it that could be further reassessed to achieve a wider range of benefits for all. Sections below outline our recommendations for the Council to consider.

4. Rates

Proposed options

- 4.1 Ratepayers are under significant financial pressure due to the impact of COVID-19 pandemic. On 25 March 2020, we wrote to all local authorities and the Minister of Local Government recommending councils minimise proposed rates increases to a level that is financially prudent. We have already seen a number of councils committing to zero general rates rise (e.g. Rotorua Lakes Council, Bay of Plenty Regional Council) or significantly reducing general rates increase (e.g. Auckland Council, Dunedin City Council, Queenstown Lakes District Council, Southland District Council).
- 4.2 The Council has identified three options for general rates increase which differ in the level of borrowing in 2020-21 to compensate for lost revenue. All three options have the same level of spending on the capital programme.
- 4.3 We support the proposed Option 1 with a general rate increase of 3.5 per cent and associated borrowing. We believe this option will ease the funding burden on all ratepayers, while ensuring key infrastructure projects continue to progress in order to maintain the workforce that is needed in the post-COVID-19 recovery.

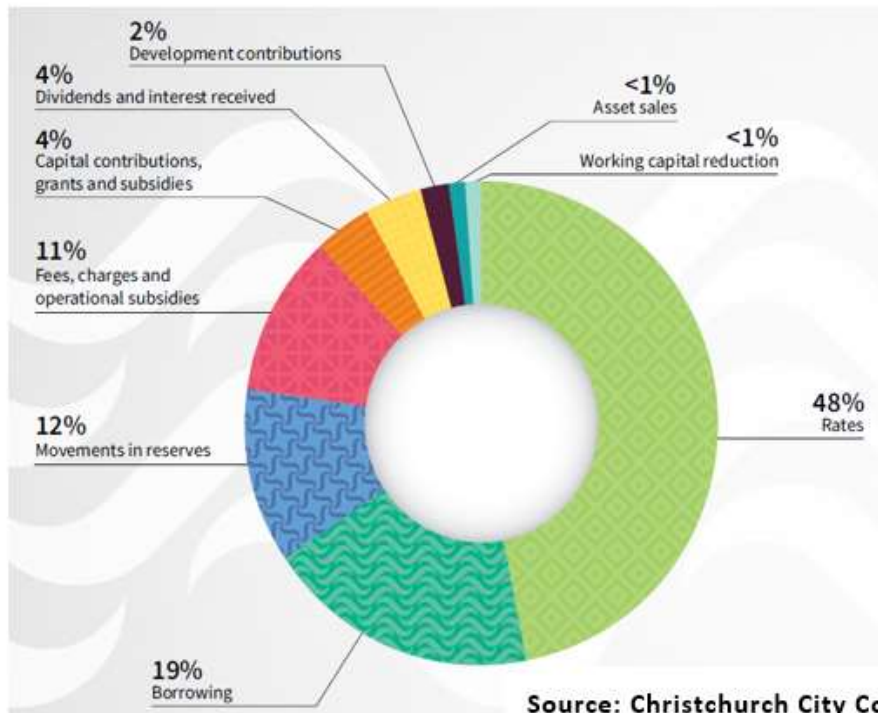
Rates relief and reduced penalties

- 4.4 We strongly support the Council’s proposal to continue a rates repayment extension for those ratepayers who are financially impacted by COVID-19. We are also supportive of reduction in the late payment penalty for rates from 10 per cent to 7 per cent. These proposals will provide additional financial relief for those in need including residential ratepayers and smaller to medium businesses who are facing hardship.

Alternative funding

- 4.5 Rates remain the main source of funding for the Council’s activities (Figure 1). In the 2020-21 financial year, the Council is proposing to collect \$556.4 million in rates to help pay for essential services as well as capital renewal and replacement projects, events and festivals.

Figure 1. Funding sources for 2020/21



- 4.6 Christchurch will continue to require significant capital investment over the coming years. The additional Crown funding for capital projects, such as the Canterbury Multi Use Arena construction will have a significant positive impact on the delivery of much needed infrastructure. However, we recognise the need to continue to fund infrastructure investment and renewal through alternative funding tools. Therefore, we recommend the Council make a better use of alternative funding and financing mechanisms to reduce reliance on general rates funding and ensure rates affordability going forward. This will more accurately reflect the rating base and allow the Council to deliver much needed infrastructure. Our recommendation is consistent with the [Productivity Commission inquiry into local government funding and financing](#).
- 4.7 Alternative tools may include user charges (e.g. water charges and congestion charging), targeted rates, public-private partnerships and special purpose vehicles. In particular, special purpose vehicles involve debt sitting off the Council’s balance sheet and is helpful for those Council’s that are approaching their debt limits. It has been successfully implemented internationally and was adopted for greenfield development in [Milldale](#), New Zealand. This tool also became a foundation for the [Infrastructure Funding and Financing Bill](#), which the Property Council supports.¹ This would help support investment in growth and infrastructure from new developments.

¹ Property Council submission on Infrastructure Funding and Financing Bill. Retrieved from <https://www.propertynz.co.nz/resources/pcnz-submission-infrastructure-funding-and-financing-bill>

5. Changes to the capital programme

- 5.1 We commend on the Council’s decision to reassess capital programme budget for 2020-21 in a light of COVID-19. We endorse the Council’s focus on capital projects that are well committed (and will therefore have an immediate stimulatory effect on the local economy) or benefit from external funding (and therefore maximise value for the ratepayer).
- 5.2 At a time of economic crisis and uncertainty it is important that the Council focuses on its core functions and operates as efficiently and effectively as possible. Therefore, we support the Council’s spending on maintenance and upgrading of water supply and stormwater infrastructure, roads upgrades and other essential infrastructure and core services. This will support the community’s prosperity, health and safety and the environment.
- 5.3 Further to this, projects that would help boost local economy, should also be prioritised. For example, infrastructure projects such Multi Use Arena would help bring people back to the city and therefore grow, strengthen and diversify the local economy.

6. Excess water use charge

- 6.1 Currently residential property owners pay for an allocated water supply using a targeted rate based on the rateable value of their property. Commercial users also pay a targeted rate, but then pay an additional water charge – at a rate of \$1.05 per 1,000 litres – if they exceed their allocation covered by their rates.
- 6.2 The Council proposes to charge an excess water use targeted rate for residential households that use significantly more water than the average household. The proposal will help better manage the high-use demand for water and to smooth peak demand for water over the summer. We support the Council’s proposal (although would prefer a user-pay model to reflect more accurately water usage costs) and welcome further collaboration as part of the Long-term Plan 2021-31 consultation process.

7. Changes to fees and charges

- 7.1 The Council is proposing to reduce the building warrant of fitness fee structure from \$250 (in 2019-20) to a lower fixed charge with additional charges depending on the type of building. It means that more complex buildings will pay more, while less complex buildings will pay less. However, there will be little change in the overall revenue collected. Property Council supports the proposal in principle, and we look forward to reviewing the detail of this proposal in due course.

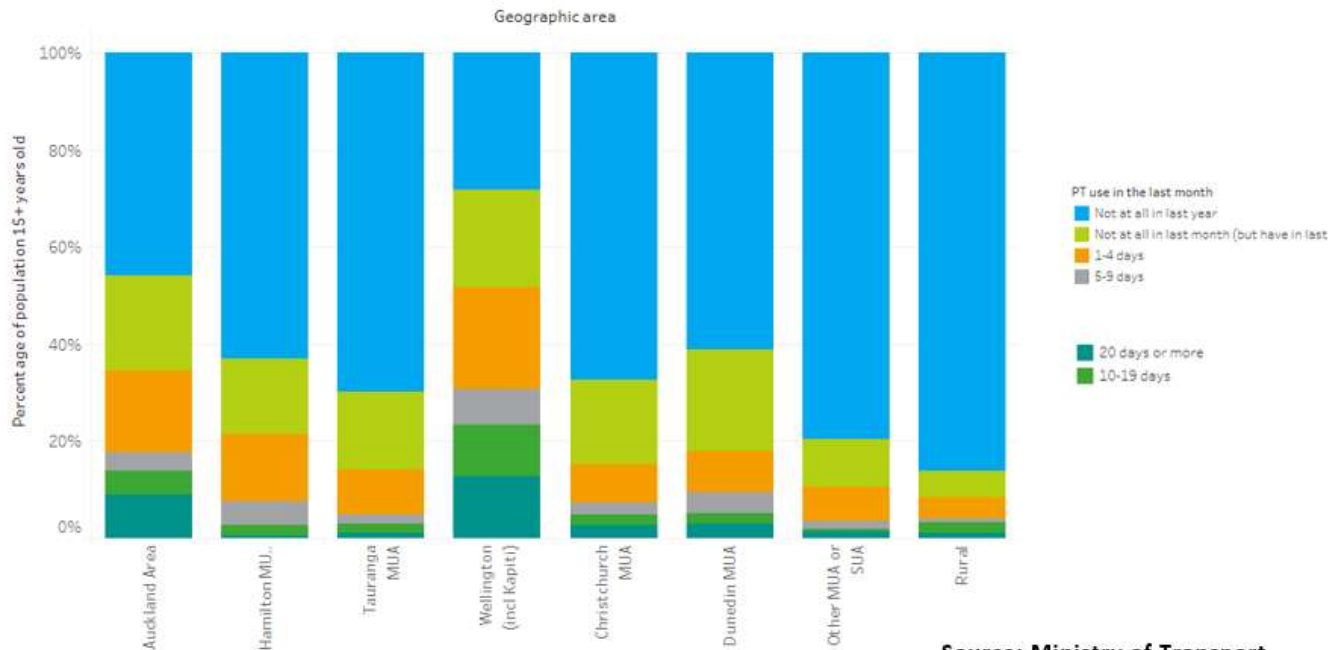
8. Strategic framework

Public transport

- 8.1 Property Council is supportive of the proposed strategic framework, as it is prioritising enabling communities, climate change, the safety and sustainability of water supply and accelerating momentum. These are essential priority areas for ensuring Christchurch’s prosperity now and into the future. However, the “increasing active, public and shared transport opportunities and use” priority has been removed from the proposed strategic framework.
- 8.2 Transport is an essential service that impacts almost every aspect of peoples’ lives. Canterbury’s population is growing. In greater Christchurch, the population is expected to grow by 150,000 people

to around 640,000 by 2048.² Public transport will be key to managing this growth and improving access to economic and social opportunities. As greater Christchurch grows, in order to reduce pressure on the transport network, it will be essential to move more people in fewer vehicles, and essential for more people to use public transport. However, a Ministry of Transport travel analysis 2018 showed that public transport use in Christchurch was the lowest in the country compared to other major cities (Figure 2).

Figure 2. Public transport use in last month by geographic area (2015-2018)



Source: Ministry of Transport

- 8.3 In particular, in 2018 only 35 percent of people in Christchurch used public transport (buses, trains or ferries) compared to 60 per cent in Auckland, 77 per cent in Wellington and 40 per cent nationally. It means that Christchurch residents spend on average [221 hours in private motor vehicles](#), versus just 10 hours on public transport, compared to Aucklanders spending 187 hours driving and 25 hours on public transport and Wellingtonians spending 134 hours and 34 hours respectively. Further to this, 94 extra hours (i.e. 3 days and 22 hours) was spent driving in rush hours in 2019 in Christchurch.³ This is alarming as time spent in congestion results in lost productivity.
- 8.4 Property Council’s position is that continual investment is needed in transport and supporting infrastructure. According to a recent review of urban transportation systems around the world, when transport systems reach a minimum of development, satisfaction growth slows.⁴ This does not align with the Council’s overarching vision of Christchurch being a city of opportunity for all. Property Council recommends reinstating the public transport priority to ensure prioritisation of public transport-related projects and supporting infrastructure.

² Resourced from Canterbury Regional Public Transport Plan 2018 – 2028

³ TomTom Traffic Index, https://www.tomtom.com/en_gb/traffic-index/

⁴ Elements of success: Urban transportation systems of 24 global cities (2018), McKinsey & Company. https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Sustainability/Our%20Insights/Elements%20of%20success%20Urban%20transportation%20systems%20of%2024%20global%20cities/Urban-transportation-systems_e-versions.ashx

Role of ChristchurchNZ

- 8.5 Growth in the Christchurch economy remained below the national rate for the June 2019 quarter, as the city continued to transition out of the rebuild period.⁵ This underpins the need for a continued effort to attract more business, activity and people to the region and grow productivity and creating jobs. It is particularly relevant in a light of the COVID-19 impact. It is critical for the central city that workers return to work in Alert Level 1. We consider that Council, Government, ChristchurchNZ, and perhaps the Christchurch Economic Recovery Forum, have a leadership role to play in ensuring that, wherever possible, workers are back at work and stimulating the central city.
- 8.6 We want to emphasise the importance of ChristchurchNZ's role in stimulating sustainable economic growth for a more prosperous Christchurch. They are aimed to grow jobs, improve the economic, social and environmental competitiveness of Christchurch businesses, and promote Christchurch nationally and globally to people who want to do business, invest, study and live in the city.
- 8.7 To support and showcase Christchurch business community, they have recently launched a new campaign, [Explore your Place](#), to help residents safely support local businesses and maintain city momentum. Property Council acknowledges the importance of the ChristchurchNZ's role and recommends maintaining their funding and mandate.

9. Depreciation

- 9.1 Central Government has reintroduced [building depreciation deduction claims](#) for property owners with commercial and industrial properties, as part of the Government support package for businesses. It is a substantial boost to help their operating balance sheets. This gives local government the option of depreciating buildings moving forward, to free up some capital, which then can be spent on essential services and infrastructure. We recommend leveraging this option as it will encourage investment in industrial and commercial buildings.

⁵ Sourced from <https://www.christchurchnz.com/>

10. Conclusion

10.1 Property Council commends the Council on the proposal to adapt and adjust the Annual Plan 2020-21 to help soften the economic impact of COVID-19 on the ratepayers, while ensuring provision of essential services and delivery of core infrastructure projects.

10.2 While we support the Annual Plan in principle, there are further changes that could be made to achieve a wider range of benefits for all in the long-term. Given the current environment of unprecedented uncertainty, we recommend:

- Adopt an average rate increase of 3.5 per cent and debt-to-revenue ratio at 239 per cent;
- Focus on core infrastructure, such as upgrades to water services and roads, as well as projects that would help boost local economy during the recovery period;
- Reinststate the public transport priority in the Strategic Framework to ensure prioritisation of public transport-related projects and supporting infrastructure;
- Continue supporting ChristchurchNZ given its role in stimulating sustainable economic growth for a more prosperous Christchurch; and
- Leverage Central Government's building depreciation policy.

10.3 Property Council would like to thank the Council for the opportunity to provide feedback on the Annual Plan as it gives our members a chance to have their say in how Christchurch is shaped, today and into the future.

10.4 Any further queries do not hesitate to contact Natalia Tropicova, Senior Advocacy Advisor, via email: natalia@propertynz.co.nz or cell: 021863015.

Yours sincerely,



James Riddoch

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