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Christchurch City Council Draft Annual Plan 2020-21

1. Recommendations

1.1 We are facing a global pandemic with New Zealand currently in lockdown due to COVID-19. Given the current climate, Property Council New Zealand (“the Property Council”) recommends the following:

Rates increase:

- a. Delay the proposed rates increase, and instead minimise rates increase to the level of inflation.
- b. Investigate rates relief or rebate options, such as waving late payment fees and allowing delayed rates instalments.
- c. Leverage Central Government’s building depreciation policy.

Focus on core services:

- d. Focus on core infrastructure, such as upgrades to water services and roads, during the lockdown and reassess spending on other projects as part of the 2021-31 Long-term Plan (“the LTP”).
- e. Balance the requirement to exercise fiscal responsibility with the need to continue to invest in key infrastructure projects.
- f. Identify and support private sector programmes and projects that can be fast tracked once restrictions are eased.
- g. Consider possibility of working with Central Government and regional councils on projects that could stimulate economic activity in different regions.

Debt:

- h. Consider taking on more debt, especially for capital expenditure to ensure key infrastructure projects continue to progress in order to maintain the workforce that is needed long-term.

Strategic framework:

- i. Reinstate the Christchurch City Council’s priority of “increasing active, public and shared transport opportunities and use” to ensure prioritisation of investment in and delivery of public transport occurs.
- j. Maintain ChristchurchNZ’s funding and mandate to help attract more business, activity and people to the region and grow productivity.

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. We have also given a significant consideration to the impact of COVID-19 on our members and on New Zealand’s economy. At a time of economic downturn and uncertainty it is particularly important that Christchurch City Council (“the Council”) adjusts its Annual Plan 2020-21 to the rapidly changing environment in a light of the impact of COVID-19 pandemic.

3. Rates increase

- 3.1 Ratepayers are facing a very difficult time of unprecedented uncertainty in light of the impact of COVID-19 pandemic. The Council’s proposed rates increase will not only affect our members but New Zealanders as a whole. Therefore, we call on the Council to keep their ratepayers in mind when finalising the Annual Plan and adjust it to a level that is financially prudent in the current environment.
- 3.2 On 25 March 2020, we wrote to all local authorities and the Minister of Local Government recommending councils minimise proposed rates increases to the rate of inflation at the very least. We have already seen Bay of Plenty Regional Council commit to zero general rates rise and Environment Southland is also considering the same.
- 3.3 We recommend the Council do the same to help ease the funding burden on all ratepayers. The Council will be in a better position to reassess rates and spending while developing the LTP 2021-31.
- 3.4 Additionally, we recommend considering rates relief or rebate options, such as waving late payment fees and allowing delayed rates instalments. This will help ensure flexibility is provided during a time of uncertainty.
- 3.5 Further to this, the Government has recently reintroduced [building depreciation deduction claims for property owners with commercial and industrial properties](#), as part of the \$2.8b support package for businesses. It is a substantial boost to help their operating balance sheets. This gives local government the option of depreciating building moving forward which would 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.

4. Focus on core services

- 4.1 In a rapidly changing environment assumptions that underpin the LTP 2018-28 are changing as well. At a time of economic crisis and uncertainty it is significantly important that the Council focuses on its core functions and operates as efficiently and effectively as possible. Therefore, we recommend

reviewing expenditure for the 2020-21 to bolster economic resilience in the face of the current challenge. This would see a focus towards maintaining essential services such as core infrastructure upgrades to water services and roads during the lockdown.

4.2 While we recommend rates minimisation, it is also critical for our economy that key infrastructure projects continue to progress. We also want to emphasise the importance of continuing with existing contracted capital projects and Council’s procurement pipeline. It is particularly important in order to maintain the workforce that will be needed long after COVID-19 has left the headlines. Therefore, we recommend the Council balance the requirement to exercise fiscal responsibility with the need to continue to invest in key infrastructure projects as well as existing contracted capital projects to ensure continuity of work post lockdown.

4.3 As signalled in the LTP 2018-28, the Council’s priorities for the capital programme are to:

Figure1. Changes to the capital programme



Source: Christchurch City Council

4.4 A total of \$512 million was scheduled to be invested in the capital programme in 2020-21, an increase of \$2 million over the LTP. Under the current circumstances, Property Council recommends the Council to focus its spending on essential services, such as maintenance and renewal of water supply and stormwater infrastructure and roads improvements (e.g. wastewater reticulation renewals, Christchurch Northern Corridor Downstream Delivery Package, Birmingham to Wrights route upgrade).

4.5 It is also important the Council be prepared to kick start projects once the restrictions are eased. This involves identifying and supporting private sector programmes and projects that can be fast tracked. This will reduce project delivery time and associated costs and help the Council be prepared for both recession and recovery in equal measure. The Council will be in a better position to reassess spending on projects scheduled for 2020-21 financial year when developing the LTP 2021-31.

4.6 Property Council also recommends considering possibility of working with Central Government and regional councils on projects that could stimulate economic activity in different regions. This might include some collaborative work. For example, Dunedin City Council has been doing some work with Otago Regional Council to investigate improvements to Dunedin’s public transport system, including options for transport trials.

4.7 We also want to emphasise the importance of collaboration with the Council’s subsidiaries, such as Christchurch International Airport and Port of Lyttelton. These organisations have a key role to play in stimulating the economy via their capital works programme. They also have an option to raise capital to deliver the projects (e.g. by borrowing and petitioning government through the Infrastructure Industry Reference Group). This presents an opportunity as the [Infrastructure Industry Reference Group will put forward to Ministers projects from the private and public sector that are ‘shovel-ready’ or likely to be within six months.](#)

5. Debt

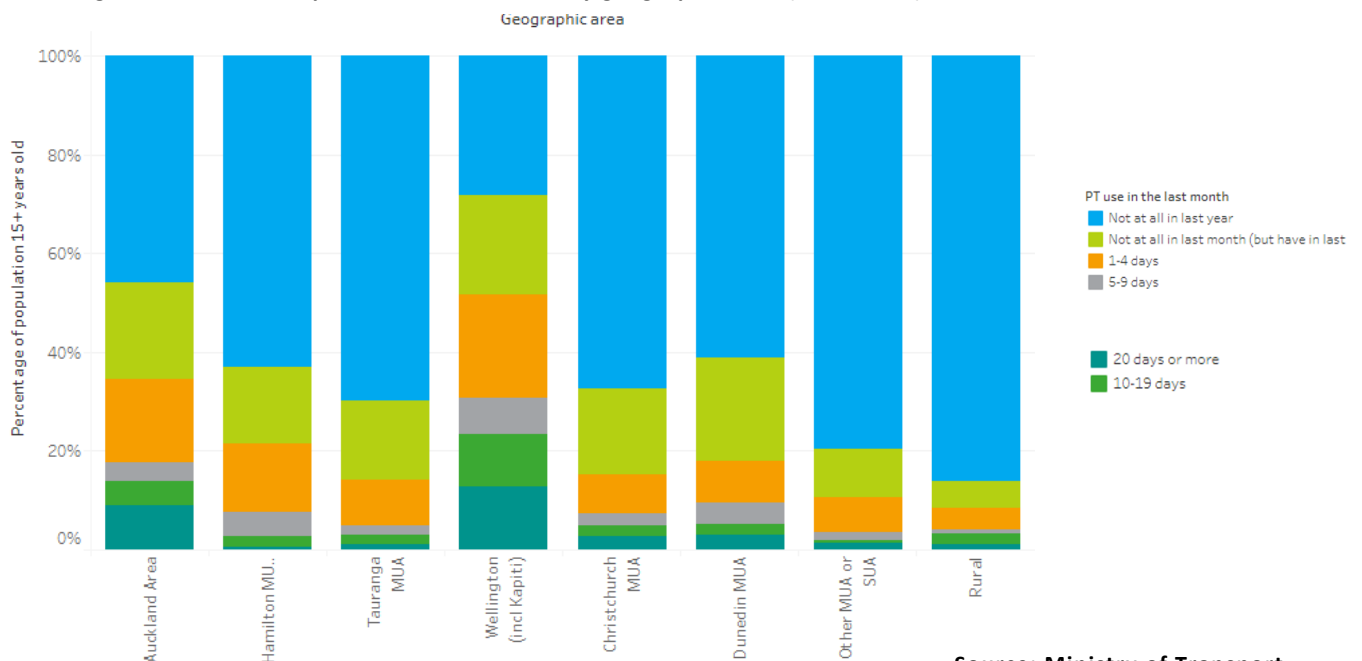
- 5.1 At a time where global recession is likely for all, we recommend the Council consider taking on more debt, especially for capital expenditure. This is to ensure key infrastructure projects continue to progress in order to maintain the workforce that is needed the in long-term.
- 5.2 Increasing the Council’s debt levels will also provide rates relief to its residents during this difficult time. Debt levels should be considered only to ensure that key infrastructure projects can continue to progress. The Council will be in a better position to reassess debt levels during the LTP 2021-31.

6. Strategic framework

Public transport

- 6.1 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.
- 6.2 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. ¹ 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

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



Source: Ministry of Transport

¹ Resourced from Canterbury Regional Public Transport Plan 2018 – 2028

- 6.3 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.² This is alarming as time spent in congestion results in lost productivity.
- 6.4 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.³ This does not align with the Council’s overarching vision of Christchurch being a city of opportunity for all. Therefore, Property Council recommends reinstating the public transport priority to ensure prioritisation of public transport-related projects and supporting infrastructure.

Role of Christchurch NZ

- 6.5 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.⁴ 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.
- 6.6 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.
- 6.7 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.

² TomTom Traffic Index, https://www.tomtom.com/en_gb/traffic-index/

³ 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

⁴ Sourced from <https://www.christchurchnz.com/>

7. Conclusion

- 7.1 At this time of uncertainty, the Council must balance the requirement of exercising fiscal responsibility with the need to continue to invest in key infrastructure projects. We hope that the Council is willing to adapt and adjust to help soften the economic impact of COVID-19 on many of its ratepayers.
- 7.2 Given the current environment of unprecedented uncertainty, we recommend delaying rates increases, focusing on core services, working with Central Government and regional councils on projects that could stimulate economic activity in different regions. We also recommend: continuing to support ChristchurchNZ in attracting more business, activity and people to the region; taking on more debt; and leveraging the Government's depreciation policy to support ratepayers and the property sector.
- 7.3 These actions are necessary to assist all ratepayers during the economic impact of COVID-19, as they have a big role to play in lifting our country out of recession during these uncertain times. We wish to work closely with Christchurch City Council when looking to develop its LTP 2021-31.
- 7.4 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. We also wish to be heard in support of our submission.
- 7.5 Any further queries do not hesitate to contact Natalia Tropotova, Senior Advocacy Advisor, via email: natalia@propertynz.co.nz or cell: 021863015.

Yours sincerely,



James Riddoch

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