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Queenstown Lakes District 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 until the 2021-31 Ten-Year Plan (“the TYP”), and instead minimise rates increases for the Annual Plan 2020-21.
- b. Investigate rates relief or rebate options such as waving late payment fees and allowing delayed rates instalments for all.

Focus on core services:

- c. Focus on core infrastructure, such as upgrades to water services, during the lockdown and recovery period, and reassess spending on other projects as part of the TYP 2021-31.
- d. Balance the requirement to exercise fiscal responsibility with the need to continue to invest in key infrastructure projects.
- e. Identify and support private sector programmes and projects that can be fast tracked once restrictions are eased.

Debt:

- f. 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.

Depreciation:

- g. Leverage the 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 The Property industry contributes over \$3.1 billion in 2016 to the Otago economy, with a direct impact of \$1.4 billion (14 per cent of the GDP) and indirect flow-on effects of \$1.7 billion. It employs 8,150

people directly which equates to 8 per cent of the total employment in Otago. For every \$1.00 spent by the Property Industry it has a flow-on effect of \$1.27 to the Otago region.

- 2.3 The Otago region's building stock is worth \$43.5 billion. Commercial property makes up \$7.5 billion or 17 per cent of the building stock, which includes offices, retail, hotels and industrial buildings, and residential property makes up \$36 billion or 83 per cent. In 2016, within the Otago region there is 5.4 million m2 of commercial building floorspace (6 per cent of the national floorspace).
- 2.4 This submission responds to [2020-2021 Queenstown Lakes District Council's Annual Plan: Consultation Document](#) and [Queenstown Lakes District Council's Annual Plan 2020-21](#). In preparing our submission we sought and received feedback from a selection of our Otago-based members. Comments and recommendations are provided on those issues that are relevant to Property Council and its members.
- 2.5 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 Queenstown Lakes District Council ("the Council") adjusts its Annual Plan 2020-21 to the rapidly changing environment in a light of the impact of COVID-19 pandemic.

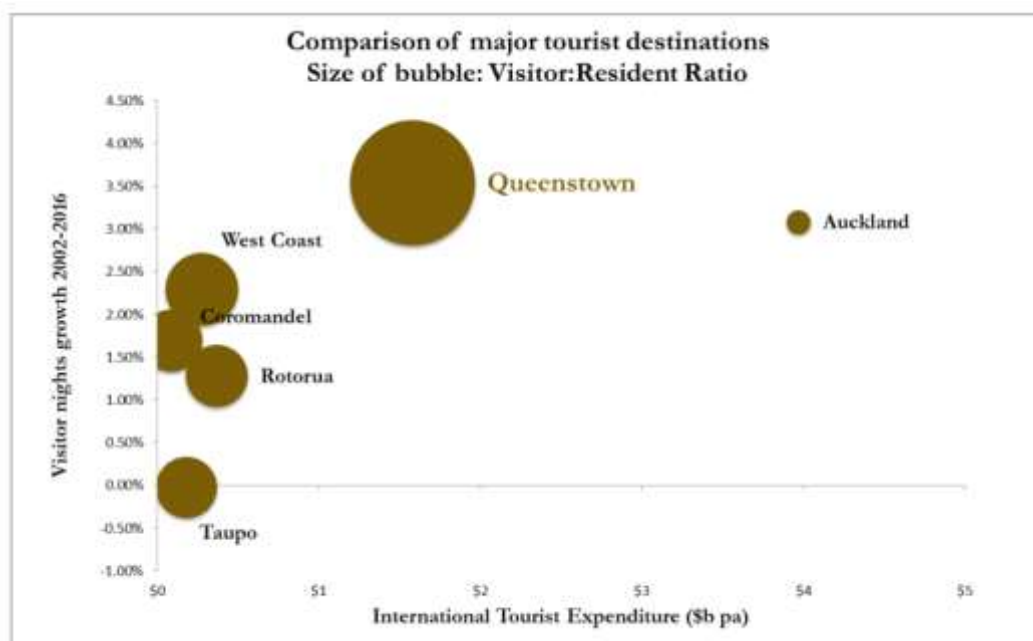
3. Rates increase

- 3.1 Rates contribute to the long term needs of the district and we recognise the need to continue to fund infrastructure investment. The draft 2020-2021 Annual Plan and accompanying Consultation Document signalled an average rates increase of 6.76 per cent. This is above the 3.91 per cent identified in the TYP for 2020-21. We understand that this increase is mainly in response to the higher costs of growth and changes in a variety of work programmes.
- 3.2 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 of 6.76 per cent 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.
- 3.3 On 25 March 2020, we wrote to all local authorities and the Minister of Local Government recommending councils minimise proposed rates increases. This will mean delaying non-essential spending in the Annual Plan 2020-21 until the TYP 2021-31, in which case councils will be in a better position to reassess rates and spending.
- 3.4 We have already seen Bay of Plenty Regional Council commit to zero general rates rise and Dunedin City Council is also considering this option. We have recently been notified that the Queenstown Lakes District Council is also aiming to significantly reduce 2020-2021 Annual Plan rates increases to approximately 1.8 per cent due to the COVID-19 outbreak. We commend the Council on their intention to lower average rates increase.
- 3.5 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.

4. Focus on core services

- 4.1 In a rapidly changing environment, assumptions that underpin the TYP 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 urge the Council to review its spending for 2020-21 to bolster economic resilience in the face of the current challenge.
- 4.2 While we recommend rates minimisation, it is also critical for our economy that key infrastructure projects continue to progress. It is particularly important in order to maintain the workforce that will be needed long after COVID-19. Therefore, we recommend the Council balance the requirement to exercise fiscal responsibility with the need to continue to invest in key infrastructure projects.
- 4.3 The capex programme amounts to \$171.9m which is \$22.9m less than the original 2020-21 programme included in the TYP 2018-2028. In the light of the COVID-19 impact, the capex programme should be reviewed further and adjusted accordingly. Property Council recommends the Council focus its spending on essential services (e.g. maintenance and upgrading of water supply and stormwater infrastructure). Therefore, we are supportive of the Council’s proposal of \$28m expenditure increase to invest in 3 waters. This is one of the core services provision of which will support the community’s prosperity, health and safety and the environment.
- 4.4 Further to this, projects that would help boost local economies, should also be prioritised. For example, Queenstown had the highest annual number of visitors than other major tourist destinations prior to the COVID-19 (Figure 1).¹ Therefore, major infrastructure projects such as Queenstown Town Centre development and Lakeview development, should be prioritised to help bring tourism back to the district and therefore growth, strengthen and diversify the local economy.

Figure1. Comparison of major tourist destinations to the capital programme



Source: Sapere Research Group, 2017

¹ New ways of supporting growth in tourism in an iconic destination, 2017. Retrieved from <https://www.queenstownchamber.org.nz/media/50503148/qcc-visitor-levy-20-july-2017-final.pdf>

- 4.5 As mentioned in our previous submissions to the Council, we are supportive of a vibrant Queenstown town centre.² However, we note a \$76.6m expenditure decrease to cover the cost of the project. This is partially due to deferrals of funding as the Council works with New Zealand Transport Agency (“NZTA”) on pre-implementation and detailed design for the proposed arterial road.
- 4.6 Our membership is broad and includes companies that undertake large-scale residential and commercial development projects, including large commercial buildings, industrial parks and retail precincts where people live, work, shop and play across New Zealand. Many of our members have expertise that could help the Council and would be happy to assist whatever capacity needed to speed up delivery of this important project. This is particularly important given the impact of the COVID-19 pandemic.
- 4.7 The Council should 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, preparing for both the recession and recovery in equal measure.
- 4.8 Additionally, we recommend postponing some spending into next financial year such as the proposal to build two new sports courts at the Queenstown Events Centre, or Luggate Hall replacement. At a time where all community facilities are closed for the foreseeable future, we recommend halting these non-essential projects until 2021. The Council will be in a better position to reassess its spending when developing the 2021-31 TYP.

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 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 TYP 2021-31.

6. Depreciation

- 6.1 The Government has recently 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.

² [https://www.propertynz.co.nz/sites/default/files/uploaded-content/field_f_content_file/qldc_long-term_plan_2018-28 - property council submission - 13 april 2018.pdf](https://www.propertynz.co.nz/sites/default/files/uploaded-content/field_f_content_file/qldc_long-term_plan_2018-28_-_property_council_submission_-_13_april_2018.pdf)

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, taking on more debt and leveraging the Government's depreciation policy to support ratepayers and the property sector. 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 Queenstown Lakes District Council when looking to develop the TYP 2021-31.
- 7.3 We 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 Queenstown Lakes district is shaped, today and into the future. We also wish to be heard in support of our submission.
- 7.4 Any further queries do not hesitate to contact Natalia Tropicova, Senior Advocacy Advisor, via email: natalia@propertynz.co.nz or cell: 021863015.

Yours sincerely,



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