

Property Council New Zealand

Submission on the Dunedin City Council's Long Term Plan 2021-2031

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For more information and further queries, please contact

Liam Kernaghan

liam@propertynz.co.nz

021715108

Dunedin City Council's Long Term Plan 2021-2031

1. Recommendations summary

1.1 Property Council New Zealand (Property Council) generally supports the Dunedin City Council's Long Term Plan 2021-2031. Property Council makes the following recommendations:

- Greater prioritisation of economic development priorities to give Dunedin more opportunities;
- Reduce the proposed rates increase to better reflect the challenges COVID-19 still has on our community;
- Consider using more targeted rates to funding local and community services;
- Consider alternative funding models to reduce the burden on rates increases;
- Ensure the Council uses the depreciation opportunities available on commercial and industrial buildings;
- Support the 'Three Bin' recycling and waste disposal option;
- Invest \$10m over ten years into community housing;
- Look to dispose of surplus assets; and
- Look at incentives for transport projects that increase the use of public transport and reduce the need for wide-spread private alternatives.

2. Introduction

2.1 Property Council welcomes the opportunity to submit on the Dunedin City Council's Long Term Plan 2021-2031.

2.2 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.

2.3 Property is currently New Zealand's largest industry with a direct contribution to GDP of \$29.8 billion (13 per cent). The property sector is a foundation of New Zealand's economy and caters for growth by developing, building and owning all types of property.

2.4 Property Council is the leading not-for-profit advocate for New Zealand's largest industry- property. Connecting people from throughout the country and across all property disciplines is what makes our organisation unique. We connect over 10,000 property professionals, championing the interests of over 600 member companies have a collective \$50 billion investment in New Zealand property.

3. Overview

- 3.1 Property Council is supportive of the Council's Investing in our city's infrastructure is critical to the success of our community. We are particularly supportive of the investment in three waters and transport infrastructure which will see an additional \$1bn invested in capital alone over the next ten years.
- 3.2 We think there is an argument to prioritise more critical infrastructure that benefits local economic development. At a time where Dunedin's infrastructure will be critical to the success of major cornerstone projects like the New Dunedin Hospital, investment in quality transport and economic infrastructure brings benefit to the City.
- 3.3 A balance needs to be met between the demands of a growing city with the ability to fund infrastructure without crippling rates and charges increases. This includes how Development Contributions are structured and making sure there is greater clarity around calculations for non-residential developments.
- 3.4 We do not support the Council investing less than intended. We support the increases in both capital and operating costs to meet the challenges the City will face over the next decade.

4. Rates

- 4.1 Ratepayers continue to face significant financial pressure due to the impact of COVID-19 pandemic. While New Zealand has weathered the short term implications relatively well compared to our international counter-parts, the continued impacts of our isolated position are still being felt by residential and commercial landlords. As you know, 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.
- 4.2 We do not support the proposed rates increases across residential and commercial. A 9.8 per cent increase over the next year for residential alone is significant. Equally, the almost nine per cent increase for commercial properties over the next year presents a challenge for businesses that have already struggled because of COVID-19.
- 4.3 Many of our small and medium businesses in Dunedin are reliant on education and tourism to be profitable and stay open. They have already accepted significant costs – including rates rises last year – and any drastic increase in rates for commercial properties means ultimately rent rises, higher operational costs and ultimately fewer businesses operating in the City.
- 4.4 We are opposed to any increase in the ratings differentials. We note the proposed increases in commercial rates which is higher than residential and, given capital gains in residential, consider this to be inequitable. Rating differentials in Dunedin are already higher than other territorial authorities in New Zealand and pose a real barrier to businesses undertaking work in the City.

Targeted rates

- 4.5 Property Council supports targeted rates for transparency and accountability. We also support targeted rates as a means for identifying where necessary and particular funding can be made to support projects of local importance.
- 4.6 To that end, we think Dunedin City Council should consider the use of targeted rates for some of the projects that they are considering progressing over the next ten years. That could include projects such as the Harbour arterial improvements, the Mosgiel and Burnside park-and-ride premises, the Mosgiel pool and the South Dunedin library and community complex. Those particular projects provide benefits for communities within the City and targeted rates could be used to ensure transparency and equity for ratepayers.

Alternative funding methods

- 4.7 Rates remain the main source of funding for the Council's activities up to 67 per cent. This is high in relative terms compared to other territorial authorities and the use of targeted rates and development contributions is lower compared to other territorial authorities.
- 4.8 Property Council advocates for all territorial authorities throughout New Zealand to investigate alternate funding methods. 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. We support amending the Development Contributions policy and make further comment later on regarding your specific proposals.
- 4.9 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 became a foundation for the Infrastructure Funding and Financing Bill, which the Property Council supports.
- 4.10 Dunedin is seeing the benefits of increase capital expenditure on cornerstone projects throughout the city. The additional Crown funding for capital projects, such as the New Dunedin Hospital construction will have a significant 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.

5. Depreciation of commercial and industrial buildings

- 5.1 Last year the Government 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 buildings moving forward, to free up some capital, which then can be spent on essential services and infrastructure.
- 5.2 In our submission to the 2020/21 Annual Plan, Property Council recommended leveraging this option as it will encourage investment in industrial and commercial

buildings. We would be interested to know whether the Dunedin City Council has taken advantage of this and how it plans to reinvest capital into essential services and infrastructure.

6. Community projects

- 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 Dunedin's prosperity now and into the future.
- 6.2 We are also supportive of the measures to mitigate against climate change and develop solutions for South Dunedin as a priority. We recommend Dunedin City Council engage with the Government as a matter of urgency to deal with some of the immediate, pressing threats to our low-lying areas.
- 6.3 Consideration should be made how to better incentivise public transport uptake in Dunedin. Better infrastructure is only one part of the incentive structure – cheaper, more efficient and more diverse public transport options provide better incentive structures.

Kerbside rubbish and recycling

- 6.4 Property Council supports the three bin option over four bins. We think making it simple to understand and easy for people to engage with means ultimately a more successful system. People can undertake to do other recycling as they see fit. Four bins would put Dunedin as an outsider across New Zealand.

7. Our facilities

- 7.1 Property Council supports investment to stimulate the local economy and provide new facilities and opportunities for people in the city and outside it. We agree with the proposed \$223m investment into arts and culture and the \$429m into reserve and recreational facilities. These ultimately make for more thriving communities and enabling better, more 21st century cities.

Community Housing

- 7.2 Property Council supports the \$10m investment over ten years into community housing. We would like the Dunedin City Council to consider long-term solutions to the ownership of community housing, as local governments have not proven themselves to be the most successful and proactive landlords. This could be in the way of allocating stock to community housing providers with extensive expertise.

Our great small city

- 7.3 Property Council supports the preferred option for developing the Athenaeum, although we would argue there are more pressing development opportunities for the City. For instance, we think there is an opportunity to partner with the University of Otago or with Ngai Tahu to provide a similar, more bespoke facility that reaches a wider range of Dunedinites.

- 7.4 We are equally supportive of smaller projects like the Mosgiel Pool and the South Dunedin Library and Community hub, though as referenced earlier we believe the case for a targeted rate to help fund these projects would be worth investigating. We note that most other territorial authorities use targeted rates for similar projects, most recently Christchurch City Council using them to develop Arts Centre Te Matatiki Toi Ora.

8. Transport

- 8.1 Property Council believes that successful cities have a comprehensive mix of different transport options available for people to move around on. To that end we are encouraged by Dunedin's commitment to better public transport options. However, we are disappointed at the mention of rail in the Long-Term Plan. Rail was a major issue during the 2020 General Election and the lack of commitment to rail in the Long-Term Plan suggests not all options for public transport are being examined.
- 8.2 We are also concerned at the lack of diversity amongst the proposed public transport options. We think the Council can be more ambitious about its plans and use a greater array of options in the City to help reduce pressure on private vehicle usage.
- 8.3 Further, Property Council believes a solution to the impending issues that will be caused by the New Dunedin Hospital build on our SH1 network. Dunedin City Council should work with NZTA and Government to ensure our transportation networks are not crippled by the

9. Potential disposal of surplus Council-owned properties

- 9.1 Property Council believes Councils across New Zealand should consider the disposal of surplus Council-owned properties to reduce the capital burden on the Council as well as provide relief for ratepayers. Options for this should be considered alongside the development of the Long Term Plan to encourage rationalisation of services and better, longer-term outcomes.

10. Conclusion

- 10.1 Property Council generally supports the direction the Dunedin City Council is taking with its Long Term Plan 2021-2031. We do make the following recommendations:
- Greater prioritisation of economic development priorities to give Dunedin more opportunities;
 - Reduce the proposed rates increase to better reflect the challenges COVID-19 still has on our community;
 - Consider using more targeted rates to funding local and community services;
 - Consider alternative funding models to reduce the burden on rates increases;
 - Ensure the Council uses the depreciation opportunities available on commercial and industrial buildings;
 - Support the 'Three Bin' recycling and waste disposal option;
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 - Look to dispose of surplus assets; and

- Look at incentives for transport projects that increase the use of public transport and reduce the need for wide-spread private alternatives.
- 10.2 Property Council would like to thank the Dunedin City Council for the opportunity to provide feedback on the 2021-31 Long Term Plan as it gives our members a chance to have their say in how Christchurch is shaped, today and into the future.
- 10.3 Any further queries do not hesitate to contact Liam Kernaghan, Senior Advocacy Advisor, via email: liam@propertynz.co.nz or cell: 021715108.