

## Property Council New Zealand

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Submission on

# Christchurch City Council's Draft Annual Plan 2022/2023

13 April 2022

**For more information and further queries, please contact**

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## Christchurch City Council's Draft Annual Plan 2022/2023

### 1. Summary

1.1 Property Council New Zealand South Island Region Branch ("Property Council") welcomes the opportunity to provide feedback on Christchurch City Council's Draft Annual Plan 2022/2023. In broad terms, we support the overall direction of this year's annual plan, with the exception of introducing Financial Contributions and the Vacant Sites rating differential. We have made a list of recommendations to influence better and fairer outcomes for all.

### 2. Recommendations

2.1 At a high level, we recommend that Christchurch City Council:

#### Te Kaha Arena

- Work with best endeavours to continue the Te Kaha Arena project as scheduled.

#### Alternative Funding

- Investigate alternative funding methods to more equitably share the rating burden.

#### Vacant Sites Programme

- Does not adopt the Vacant Sites rating differential ("the differential");
- If adopting the differential:
  - Defer the programme for a further 12 months to enable property owners to plan, and budget for, either the differential or the required amenity improvements;
  - Provide further clarity on both qualification and remission;
  - Adopt a grace period of 12-18 months from the acquisition of sites to allow new owners to plan development;
- Extend the exemption to capture the early design stage of the development cycle;
- Lead by example by ensuring that all vacant sites it owns or controls are kept well maintained in accordance with the proposed policy; and
- Promote the thinking behind the proposal in terms of the impacts of unmaintained sites in the CBD and by providing examples, options and costs of improving amenity.

#### Otakaro Avon River Corridor Activity Plan

- Provide certainty and commitment around the implementation of the Regeneration Plan.

#### Financial contributions

- Reconsider financial contributions as a possible revenue source, due to the increased costs faced by businesses as well as the potential to 'double dip'.

### 3. Introduction

3.1. Property Council is the leading not-for-profit advocate for New Zealand's most significant industry, property. Our organisational purpose is, "Together, shaping cities where communities thrive".

- 3.2. The property sector shapes New Zealand’s social, economic and environmental fabric. Property Council advocates for the creation and retention of a well-designed, functional and sustainable built environment, in order to contribute to the overall prosperity and well-being of New Zealand.
- 3.3. Property is the largest industry in Canterbury. There are around \$160.5 billion in property assets across Canterbury, with property providing a direct contribution to GDP of \$4.7 billion (14 percent) and employment for 31,380 Canterbury residents.
- 3.4. We connect property professionals and represent the interests of 146 Christchurch based member companies across the private, public and charitable sectors.
- 3.5. This document provides Property Council’s feedback on [Christchurch City Council’s Draft Annual Plan](#). Comments and recommendations are provided on issues relevant to Property Council’s members.

#### **4. Te Kaha Arena**

- 4.1. Property Council appreciates Christchurch City Council’s review of the capital expenditure in light of the current political and economic circumstances such as; COVID-19, supply chain issues and inflation.
- 4.2. Christchurch City Council’s borrowing for the capital programme is \$72 million less than recorded in the Long Term Plan 2021-31, with the operational spend up \$12.7 million more than predicted. This is partly due to changes in timeline for projects such as the Te Kaha Arena with \$75 million of spending on it pushed to future years. We support local projects such as the Te Kaha Arena as this will have significant impact on Christchurch’s much needed infrastructure. We understand the pressures Christchurch City Council are under, however it will be more beneficial and cheaper in the long run to use capital expenditure to build now.

#### **5. Alternative funding**

Rates remain the main source of funding for the Christchurch City Council’s activities with Christchurch City Council proposing to collect \$634.1 million in the 2022/2023 financial year. Property Council advocates for all local authorities throughout New Zealand to investigate alternative funding methods. This will more accurately reflect the rating base and allow Christchurch City Council to deliver much needed infrastructure. Alternative tools may include user charges (e.g. congestion charging), targeted rates, public-private partnerships and special purpose vehicles.

#### **6. Vacant Sites Programme**

- 6.1. Over the last decade, Christchurch City Centre has faced unique challenges of literally rebuilding the city. Throughout the rebuild process, obstacles such as policy rules around vacant land sizes resulted in immediate challenges for landowners and developers alike. As a result, the buildings we see today within Christchurch are ones in which planning rules such as land lot sizes and intensification did not hinder development. Over the last couple of years, COVID-19 has added an additional complexity as working from home became more prevalent while existing CBD businesses (such as hospitality) have struggled.
- 6.2. Throughout the last couple of years, there has also been a literal pause in construction through the form of many ‘lockdowns’. This has not only added a layer of complexity but also added to

existing costs such as; construction costs, wage increases, lack of resources and building materials. This has resulted in increased uncertainty within the overall market. It is therefore important that Christchurch City Council's proposed policies strike the right balance of encouraging development, not solely through rating tools but by working with prospective developers to ensure that Christchurch City Council's own District Plan settings are not hindering development, and in particular on vacant sites.

- 6.3. Our members understand the need to beautify the CBD and to ensure that vacant sites do not have a negative impact on the amenity of the city and on demand generally. However, we do not believe that the best way to achieve this is by imposing additional financial pressures on property owners. We acknowledge that Christchurch City Council has few tools to apply but we consider that the differential is too blunt a tool. We also note that some of the impacts of vacant sites will already be mitigated by the implementation of Christchurch City Council's parking policy and the consenting of at grade carparks.
- 6.4. We are concerned that there is a lack of transparency and clarity with the Vacant Site Programme. It is unclear how a site is determined vacant or what constitutes a site that is in use. While there has been a vacant site improvement guide published to assist property owners, the decision on whether a property owner qualifies for remission is ultimately based on the Council's discretion. A mixture of uncertainty in criteria for property owners and the subjective interpretation by the Council may lead to unfair outcomes.
- 6.5. For our members, there are a multitude of reasons why sites may be vacant or appear vacant. The development process varies meaning that Christchurch City Council's 'one size fits all' approach cannot be applied. For example, there could be an inability to secure an anchor tenant or a situation where there are development plans on a vacant site, but it remains vacant due to timeline sequencing within a portfolio. New Zealand is a small market, and it is unlikely that development will occur at the same time especially when there are skills shortages exacerbated by COVID-19. Furthermore, the programme does not take into consideration property owners who are trying to on-sell, a process that can take a number of years. These are just a few examples of many.
- 6.6. Christchurch City Council should reconsider the timing of the vacant sites programme. Property owners should not be penalised for deferring development when it is not economically viable. A global pandemic, increasing CPI and interest rates as well as a lack of people returning to the CBD, is not conducive to stimulating development. Property Council recommends that Christchurch City Council take time to understand property cycles and allow property owners to put their case forward to the Council and explain what their plans are for the site and/or why they have decided not to develop. In order for the CBD to thrive, quality infrastructure is critical. Property owners should not be forced to develop for the sake of it as that will only encourage bad development.
- 6.7. We recommend that Christchurch City Council does not implement the differential.
- 6.8. If the differential is implemented, then we submit that Christchurch City Council should:
  - Defer the programme for a further 12 months to enable landowners to plan, and budget for, either the differential or the required amenity improvements;
  - Provide further certainty on both qualification and remission; and

- Adopt a grace period of 12-18 months from acquisition to allow new owners to plan development.
- 6.9. We would also like to see clarity on what stage of the development cycle these charges would apply. The development cycle can take a number of years and the proposal is unclear as to whether this will impact property owners who have begun the development process. We recommend that the exemption also captures the early design stage.
- 6.10. Whether or not the proposal is implemented, we consider that Christchurch City Council should lead by example by ensuring all vacant sites it owns or controls are kept in a tidy, well-maintained state in compliance with the proposed policy. In addition, Christchurch City Council should promote the thinking behind the proposal (in terms of the impacts of unmaintained sites in the CBD), and provide examples, options and costs for improving amenity. We submit that this is a more appropriate lever than the imposition of further costs on landowners in the current financial climate.

## **7. Otakaro River Corridor Activity Plan**

- 7.1. Property Council supports the \$1.2 billion, multi decade project which will allow the community to connect to the Otakaro River. We support city designs that enhance economic growth and development. We agree that the Otakaro Avon River Corridor could be the jewel in Christchurch's crown; it has been planned, we now need certainty and commitment around implementation. This certainty will catalyse private sector investment in the corridor.

## **8. Financial Contributions**

- 8.1. Christchurch City Council proposes to amend the Revenue and Financing Policy to recognise financial contributions as a possible revenue source. However, commercial property owners are already facing a multitude of costs including development contributions, rates increases and the proposed vacant sites differential.
- 8.2. Christchurch City Council needs to be careful with the collection of financial contributions as there is potential for 'double-dipping'. For example, the Council will not be able to collect financial contributions as well as development contributions from the same development to fund the same activities. In practice, this can be difficult to implement, which is why many councils look at alternative funding mechanisms instead.
- 8.3. On the other side of the spectrum, increased fees often end up on the end consumer, namely the end purchaser. Increased development contribution fees or the introduction of financial contribution fees likely result in the following outcomes:
- Additional costs begin passed on to the eventual buyer, making housing more expensive; and/or
  - Planned developments are postponed or cancelled, due to increased costs reducing the overall feasibility of the development or project.
- 8.4. At a time where costs continue to rise, Property Council recommends that Christchurch City Council reconsider proposing financial contributions as another revenue source and keep the Revenue and Financing Policy as it is.

## 9. Conclusion

- 9.1. We support the overall direction of Christchurch City Council's Draft Annual Plan 2022/2023 with the exception of introducing Financial Contributions and the Vacant Sites rating differential.
- 9.2. Property Council members invest, own, and develop property in Christchurch. We wish to thank Christchurch City Council for the opportunity to submit on Christchurch City Council's Draft Annual Plan 2022/2023 as this gives our members a chance to have their say in the future of our city. We also wish to be heard in support of our submission.
- 9.3. Any further enquires do not hesitate to contact Sandamali Gunawardena, Advocacy Advisor, via email: [sandamali@propertynz.co.nz](mailto:sandamali@propertynz.co.nz) or cell: 0210459871.

Yours Sincerely,



James Riddoch  
South Island Committee Chair  
Property Council New Zealand