**Submission on Wellington City Council’s Draft Annual Plan 2022/23**

**and**

**Amendments to the Long-Term Plan 2021-31**

1. **Summary**
   1. [INSERT COMPANY NAME] welcomes the opportunity to provide feedback on Wellington City Council’s Draft Annual Plan 2022/23 and Amendments to Long Term Plan 2021-31. We do not support the increase to the rating differential and make recommendations to ensure fair and equitable outcomes for the private sector.
2. **Recommendations**
   1. At a high level, we recommend that Wellington City Council (“the Council”):

* Does not increase the rating differential from 3.25 and 3.7; and further, commence a planned reduction in 2022/2023 of the differential until entirely removed over next three annual plans;
* Improve their transparency as to how rates are set, provide the commercial sector with evidence that demonstrates how Council’s spending will reflect the 56%/44% split and investigate reducing the general rate proportion;
* Provide evidence that the Council have planned to immediately reduce its expenditure and review its expenditure priorities;
* Consider alternative funding methods such as targeted rates and special purpose vehicles;
* Reject the idea of a commuter parking levy, as this will have a significant impact on businesses, individuals and Wellington city. We recommend the Council investigate alternative funding tools such as congestion charging or incentivisation of EV charging installations in commercial parking facilities; and
* Provide transparent, and concise information explaining what the overall rates increases will mean for different sectors within Wellington and outline direction and indirect benefits each sector receives.

1. **Rating Differential Increase** 
   1. We are extremely disappointed to see that the Council has proposed to increase the rating differential from 3.25 to 3.7. If adopted, this will be the highest rating differential in the country. We endorse the Shand’s report recommendations that they should be abolished as there is no economic rationale that supports a need for this.[[1]](#footnote-2)

*Rating proportion*

* 1. The Council claims that the proposed adjustment will keep the overall increase in rates for both the commercial and residential sector, on an even level. Because residential values increase greater on average than commercial values, increasing the differential will reduce the impost on residential ratepayers relative to their increases in capital value. However, the proposal to increase the rating differential to maintain a general rate split of 56%/44% (residential/commercial) will result in the commercial sector paying much higher than its share of capital value. We ask that the Council provide the commercial sector with data illustrating the total increase in residential capital values and the total decrease in commercial capital values (along with the total capital value of residential property and commercial property) which has formed the basis on the proposed adjustment to the rating differential.
  2. Rates collected from rating differentials need to show direct benefit to businesses. The additional rates that businesses pay through rating differentials should be separated and specifically allocated to projects that support the commercial sector. We strongly urge that the Council provide the commercial sector with evidence that demonstrates how Council’s spending will reflect the 56%/44% split. For example, what services will the commercial sector receive as a benefit?
  3. We are concerned that average commercial values in Wellington have only increased by 36% compared to 60% for residential. This highlights a wider issue in Wellington’s built environment. It also raises questions that over the coming years, if commercial sector upgrades occurred and values rose higher than residential, would the rating proportion shift back towards the residential sector paying more if their house prices did not increase? Additionally, where commercial building values have increased above 36% (due to upgrades, seismic strengthening, or environmental benefits) these businesses will be faced with having to pay more than the average rates increase of 8.9%.

*Flow on effects for Wellington businesses, residents, and visitors*

* 1. The proposed increase will have a flow-on effect on all members of the community, not only the commercial sector. Property owners will be forced to recover these costs through increased rental levels, while business owners will have no choice but to recover these costs through increased costs for products and services. It is also unclear what the additional rates are funding and whether it is beneficial to the business needs.
  2. Furthermore, an increase in rates will mean that building owners may not be able to invest in improving their business, carrying out maintenance and upgrades. This will not see existing businesses nor Wellington’s built environment flourish, especially in a time when people are returning to the CBD and businesses are needing to reopen to survive.

*Rating solutions*

* 1. We recommend decreasing the percentage split of the total general rates. As discussed above, the current percentage split is 44% commercial and 56% residential ratepayers. This is much higher than in other cities in New Zealand. For example, Auckland businesses currently pay 31.33%, with this eventually dropping to 25.8% as their analysis showed that their previous rating split was inequitable.
  2. Similarly, we do not believe that Wellington’s proposed percentage split of general rates is equitable. The Council has not investigated the general rating split and what specific benefits the commercial sector receives. This is particularly important to assess as we are within the post-recovery period of COVID-19 with the city still months or years away from worker capacity.
  3. We support the use of transparent, beneficial pays funding models for local government. Examples of these models include targeted rates, user-pays and special purpose vehicles. These alternative models meet the legislative principles of transparency and objectivity for funding local government set out in both the *Local Government Act 2002* and *Local Governing (Rating) Act 2002.* Our approach is also consistent with the recommendation of the New Zealand Productivity Commission that local government should adopt a more transparent approach to rating tools and other funding sources[[2]](#footnote-3).
  4. We firmly believe that increasing the rating differential will have a notably negative effect on efforts to revitalise the Wellington CBD as a vibrant place to live, work and do business. We therefore recommend that the Council end the disproportionate and inequitable use of commercial rating differentials and make use of other funding options.

*Cumulative rates and fee increases in Wellington*

* 1. In the current climate, the commercial sector is not only facing the impact of COVID-19, but an increased multitude of costs. The cumulative impact these costs may result in a number of businesses declining, even after moving to the Orange alert level.
  2. The below list is an example of some proposed costs increases and fees in Wellington:
* Wellington City Council’s proposed Annual Plan rates increase of 8.9%;
* Wellington City Council’s proposed Annual Plan rating differential increase from 3.2 to 3.7;
* Wellington City Council’s proposed Sludge minimisation facility rates levy;
* Wellington City Council’s increase in development contribution levies;
* Future of the Southern Landfill (depending on option);
* Wellington City Council’s increase in encroachment fees;
* Wellington City Council investigating a commuter parking levy of up to $2,500 per annum per car park;
* Unknown funding mechanisms associated with Let’s Get Wellington Moving;
* Greater Wellington Regional Council’s proposal to increase rates differentials on a yearly basis;
* Greater Wellington Regional Council’s proposal to remove the uniform annual general charge which shifts more of the rating burden onto the commercial sector; and
* The removal of the public transport differential from the Greater Wellington Regional Council’s Revenue and Financing Policy to annualised adjustments via the Funding Impact Statements in the 2022/23 Annual Plan.
  1. All these various proposals are creating an uncertain and challenging post COVID-19 environment for the commercial sector in Wellington. We urge that the Council provide more clear and concise information explaining what the overall rates increases will mean for different sectors within Wellington.
  2. It is also important to note that not all rates will be included in the 8.9% rates increase. For example, the sludge minimisation facility rates levy is not included and when applied on top of the 8.9% rates increase, it will push the total rates figure higher than the 9.1% total rates increase forecasted in the 2021/31 Long Term Plan. This is of real concern and will not result in the rejuvenation of Wellington’s CBD.

1. **Carparks**

*Commuter Parking Levy*

* 1. We are aware that the Let’s Get Wellington team are investigating the introduction of a commuter parking levy of up to $2,500 per year.
  2. We do not support a commuter parking levy as it will have a significant impact on businesses and will disincentivise business and working population coming into Wellington city. There are many loopholes in introducing commuter parking levies. For example, this will directly result in offices turning their car parks into storage units and encouraging working from home resulting in a less vibrant Wellington City. We recommend that the Council reject the commuter parking levy and instead investigate alternative funding tools such as congestion charging.
  3. There has been no presented evidence to support a business case for the introduction of a car parking levy with carbon neutrality been signalled by Let’s Get Wellington Moving as the core driver behind this proposal. We strongly encourage the Council to consider that private vehicle use and shared vehicle schemes such as Mevo will continue to require car parking within the city. We support the aims to decarbonise but do not believe these aims will be achieved through introduction of a levy. Instead, we implore the Council to better support the actions of many of our property owner members to convert their car parks to EV enabled car parks and provide sufficient time to enable property owners to create the fuelling stations of the future for EV’s within the city’s commercial buildings.

*Removing carparks*

* 1. Wellington City Council are in the process of removing approximately 1500 of Wellington’s 3300 metered carparks. The impact of this is very damaging to businesses and will see large and long-term impacts on the Wellington economy. In a time where we should be supporting businesses return to a sense of normality under the Orange alert level, this is will only drive away business from the CBD. With reliable and future public transport options still decades away, the reliance on private vehicles and therefore car parks, will still occur.

1. **Seismic Strengthening** 
   1. We support investment in earthquake strengthening of buildings in Wellington including the Town Hall, St James Theatre and Tākina: Wellington Convention and Exhibition Centre. In saying that, we urge that the Council be careful on which projects it decides to invest in. For example, we are disappointed to see that the Central Library is in the second stage of preparations for refurbishing the existing building when demolishing the building and starting from scratch would have been a better use of capital. Going forward, we ask that the Council provide ratepayers with ample opportunity for consultation and feedback on these projects.
2. **Conclusion**
   1. We strongly oppose the increase to the rating differential and support the Council investigating alternative funding mechanisms. The increase will have negative outcomes for Wellington’s private sector especially in a time where we should be supporting businesses bring back life to the CBD. We recommend the proportional split is analysed as to what is a fair rating proportion between the residential and commercial sectors.

Yours Sincerely,

[INSERT YOUR NAME]

[INSERT COMPANY NAME]

1. <https://ndhadeliver.natlib.govt.nz/ArcAggregator/arcView/frameView/IE12126512/http://www.dia.govt.nz/Agency-Independent-Inquiry-into-Local-Government-Rates-Index> [↑](#footnote-ref-2)
2. Local government funding and financing. Retrieved from <https://www.productivity.govt.nz/inquiries/local-government-funding-and-financing/> [↑](#footnote-ref-3)