

Property Council New Zealand

Submission on

Draft Auckland Council Budget 2023-2024

28/03/2023

For more information and further queries, please contact

Logan Rainey
Logan@propertynz.co.nz
021410787

28 March 2023
Auckland Council
Auckland 1142
Email: akhaveyoursay@aucklandcouncil.govt.nz

Auckland Council Annual Budget 2023-2024

1. Summary

- 1.1 Property Council New Zealand Auckland Region (“Property Council”) welcomes the opportunity to provide feedback on Auckland Council’s draft Annual Budget 2023-2024. It is vital that Auckland Council has an Annual Budget that is financially responsible, equitable to all ratepayers, and that continues to deliver the critical services that Auckland relies on.
- 1.2 We are conscious that the draft Annual Budget is likely to be subject to revision as the full impact of recent extreme weather events and the City Rail Link over-runs become apparent. It is critical that the private sector and other key, stakeholders are consulted on future budget changes.
- 1.3 Property Council is deeply concerned about the proposed pause to the Long-Term Differential Strategy (“LTDS”), given Auckland Council’s longstanding commitment to reducing rating differentials and improving equity in the rating system.

2. Recommendations

- 2.1 At a high level, we recommend that Auckland Council:
 - Proactively engages with stakeholders on further revisions to the Annual Budget;
 - Does not adopt the proposed amendment to the Revenue and Finance Policy;
 - Continues to implement the Long-term Differential Strategy to reduce rating differentials as planned;
 - Adopts the proposed approach to reprioritising Climate Action Targeted Rate (“CATR”) expenditure;
 - Works with Property Council to actively consider ways to better resource the consenting team and reduce delays; and
 - Does not adopt the proposed increase to development contributions in Drury and other Investment Priority Areas.

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 Auckland’s largest industry. Property provides a direct contribution to Auckland’s GDP of \$12 billion (12 percent) and employment for 71,940 Auckland residents.

- 3.4. Property Council is the collective voice of the property industry. We connect property professionals and represent the interests of 398 Auckland based member companies across the private, public and charitable sectors.
- 3.5. This document provides Property Council's feedback on Auckland Council's draft [Annual Budget](#). Comments and recommendations are provided on issues relevant to Property Council's members.

4. Budget situation

- 4.1. Auckland Council is currently facing a \$295 million budget shortfall for the upcoming financial year. Like many organisations, public and private, Auckland Council has faced additional financial pressure as a result of factors such as interest rate hikes and spiking inflation.
- 4.2. Property Council appreciates that the current financial challenges facing Auckland Council pose difficult choices for the Annual Budget. We also wish to acknowledge the detrimental impact of the recent extreme weather events, on the community as a whole and on Auckland Council's financial position.
- 4.3. Auckland Council has proposed addressing the budget shortfall by a combination of policies that include reducing operating spending, increased rates, asset sales of Auckland Airport shares and the use of debt.

Further revisions to the Budget

- 4.4. Auckland Council's current budget shortfall will likely be subject to significant, upwards, revisions as the financial impacts of both the recent extreme weather events become more apparent and in light of the recent City Rail Link cost overruns.
- 4.5. Auckland Council has outlined that the weather events will likely result in the rates increase being around 1 per cent higher than outlined in the consultation document and has flagged potential delays in implementing cost reductions as a flow on effect. Property Council also notes with concern the recent cost over-run on the City Rail Link project¹, with \$1.074 billion in additional funding required to complete the project, that will have a material impact on Auckland Council's finances.
- 4.6. It is critical that Auckland Council provides timely, and transparent, information on the scale of potential increases to the budget shortfall. These increases will have a marked effect on both Auckland Council's budget position and on the level of services provided to the wider city.
- 4.7. Property Council is interested in working collaboratively with Auckland Council to develop funding solutions. We recommend in the event of further increases to the budget shortfall, proactive engagement with the private sector and other relevant stakeholders occurs.

5. Proposed approach to rates

- 5.1. Auckland Council is proposing to increase general rates across all properties by seven per cent in 2023-2024. This is higher than the 3.5 per cent forecast in the Long Term Plan 2021-2031.

¹ <https://www.nzherald.co.nz/nz/city-rail-link-107-billion-budget-blowout-auckland-rail-project-requests-extra-funding/UCD5PIFNJRHEZFXNG72BN6S7R4/>

This figure does not include potential increases associated with the extreme weather events (estimated at an additional one per cent) or City Rail Link (currently unknown).

- 5.2. To partially offset the rates increase, Auckland Council is proposing to pause the LTDS for financial year 2023–2024 and to temporarily reduce the Natural Environment Targeted Rate (“NETR”) and Water Quality Targeted Rate (“WQTR”).

Proposed pause of the Long-term Differential Strategy

- 5.3. Property Council is extremely disappointed to see that Auckland Council has proposed to pause the LTDS for financial year 2023–2024. We have provided a detailed submission to Auckland Council on the proposed amendment to the Revenue and Finance Policy, outlining our strong opposition.
- 5.4. Auckland Council already recognises that rating differentials and the relative level of rates take from the commercial section is deeply inequitable. Auckland Council has had a longstanding commitment to their slow reduction overtime, as commercial ratepayers are being charged at a degree disproportionate to the level of services provided. We urge Auckland Council to consider the wider economic landscape and the cumulative cost pressures currently facing business.
- 5.5. Property Council strongly recommends that Auckland Council does not adopt the proposed amendment to the Revenue and Finance Policy and instead continues to implement the LTDS to reduce rating differentials as planned.

Climate Action Targeted Rate

- 5.6. Property Council has previously submitted to Auckland Council in support of the Climate Action Targeted Rate (“CATR”). We welcome investment in Auckland’s public transport infrastructure and urban ngahere (tree coverage) and are pleased to see Auckland Council working with Central Government to unlock funding.
- 5.7. Auckland Council has proposed to reprioritise \$10.5 million of additional bus service expenditure from the CATR that will not be delivered on time due to operational constraints. Instead, Auckland Council is proposing to fund bus service improvements in Northwest Auckland as well as bringing forward funding for two new frequent bus routes in East Auckland. Property Council supports the proposed approach to reprioritising CATR expenditure, and we recommend its adoption.

6. Fees and other matters

- 6.1. Auckland Council is proposing increases to a range of fees for council services, including Building Consent fees and Resource Consent fees. Property Council is not opposed to this, but we stress that increased building consent fees should be matched with increased levels of service provided to applicants.
- 6.2. Property Council would also like to make a general comment on consents. While we appreciate the constraints facing Auckland Council in this space, time delays for consents (as well as other matters such as traffic permits), often of up to six months, are rapidly emerging as significant barriers to development in Auckland. These delays create additional costs for developers, which they are forced to pass onto consumers, which can result in higher prices for new houses as well as additional risk and uncertainty.

6.3. Given the current market headwinds facing residential development, which we know is needed to address the ongoing housing crisis, we urge Auckland Council to actively consider ways to better resource the consenting team and reduce delays. Property Council and our members are interested in working collaboratively to address this issue.

7. Cumulative cost pressure

7.1. As a wider matter, Property Council is deeply worried about the cumulative impact of local government policies on Auckland's property sector. We are concerned that pausing the LTDS, alongside increased general rates and the massive, proposed increases to development contributions in Drury and other Investment Priority Areas (Mt Roskill, Tāmaki, Mangere, Northcote, Oranga, CRL stations, Inner Northwest) will have a detrimental impact on future development.

7.2. It is easy to look at one proposed change and expect that it will have minimal impact, but collectively these reforms could significantly increase the cost and risk of development. We all know that Auckland is in desperate need of new housing supply, particularly that of an affordable nature. By escalating costs for future developments Auckland Council run the significant risk of creating a 'perfect storm' for housing supply and affordability.

7.3. We would urge Auckland Council to re-consider the cumulative, financial impact of the Annual Budget 2023-2024 in combination with the other proposed changes. While we acknowledge the need to generate additional revenue, we strongly recommend that Auckland Council does not adopt the LTDS pause and increase to development contributions.

8. Conclusion

8.1. Property Council sympathises with the budget challenges facing Auckland Council. We believe in the importance of a budget that is financially responsible, equitable to all ratepayers and that continues to deliver the critical services that Aucklanders rely on.

8.2. We are extremely concerned about the proposed pause to the LTDS, in light of the corrosive impact any pause will have on the commercial sector in Auckland. It will discourage new investment and driving up the cost of doing business across the city. We are also deeply disappointed to see Auckland Council's longstanding commitment to reducing rating differentials and improving equity in the rating system cast aside.

8.3. Property Council members invest, own, and develop property in Auckland. We wish to thank Auckland Council for the opportunity to submit on the Annual Budget 2023-2024 as this gives our members a chance to have their say in the future of our city.

8.4. Any further enquires do not hesitate to contact Logan Rainey, Advocacy Advisor, via email: Logan@propertynz.co.nz or cell: 021410787.

Yours Sincerely,



Martin Cooper
Auckland Committee Chair