

## Property Council New Zealand

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Submission on

# Christchurch City Council's Draft Annual Plan 2023/2024

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

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## Christchurch City Council's Draft Annual Plan 2023/2024

### 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 2023/2024. In broad terms, we support the overall direction of this year's annual plan, with the exception of expanding the Vacant Sites rating differential, increasing the business differential, and lowering the Uniform Annual General Charge to \$50. We oppose these three proposals based on the negative accumulative effects they will have for Christchurch businesses and our members.

### 2. Recommendations

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

- Does not increase the business rating differential from 1.697 to 2.22 and instead commissions an independent report to analyse the proposed rating differential and its economic impact;
- Investigate alternative funding methods to more equitably share the rating burden;
- Discontinue the vacant site differential and not extend this to the commercially zoned areas of New Brighton, Lyttleton, Sydenham and Linwood Village; and
- Adopts Option A in relation to the Uniform Annual General Charge ("UAGC").

### 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. The property industry in Canterbury provides 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. Alternative funding

4.1. Rates remain the main source of funding for the Christchurch City Council's activities with Christchurch City Council proposing to collect \$684 million in the 2023/2024 financial year. We commend the Council on their efforts to reduce the burden on ratepayers, given it was initially predicted at 14.6%. Property Council advocates for all local authorities throughout New Zealand

to investigate alternative funding methods. We support the use of transparent, user-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<sup>1</sup>.

## 5. Increase to the business differential

- 5.1. We are disappointed to see that the Council has proposed to increase the business differential from 1.697 to 2.22. Property Council has long opposed a rating differential and endorse the Shand's report recommendations that they should be abolished.<sup>2</sup> Rating differentials do not explicitly account for, or demonstrate, the services consumed by businesses or the direct benefit to businesses of the increased rates burden.
- 5.2. Furthermore, we are concerned that average commercial values in Christchurch have only increased by 24.4% compared to 47.7% for residential. This is seen by Council, as justifying the increase in the business differential. In our view this is not rational, and the comparative capital gain in the revaluation should be considered by Council in setting the rating differential. From this perspective there is no justification in increasing the differential.
- 5.3. Instead, we recommend that an independent report be commissioned to analyse the proposed rating differential and its economic impact. It is vital that Council adopts a model that is fair and equitable across all ratepayers. In the absence of such a report, we endorse the view of the Shand report which stated that, "In the interests of transparency and equity *the Panel recommends that the power to set differential rates and to use UAGCs should be removed*". If differentials are to be maintained then our recommendation is that, at a minimum, the business differential is not increased.

### *Cumulative rates and increases in Christchurch*

- 5.4. The increase to the business rating differential is only one of the many costs the commercial sector is/will be facing. The cumulative impact these costs may result in a number of businesses declining, and does not promote Christchurch as a place to invest and develop.
- 5.5. The below list is an example of some proposed cost increases and fees in Christchurch:
  - Christchurch City Council's proposed Annual Plan rates increase of 5.68%;
  - Christchurch City Council's proposed Annual Plan rating differential increase from 1.697 to 2.22;
  - Christchurch City Council's proposed vacant site differential increase from 4 to 4.523;
  - Contribution to the \$17 million shortfall if a lower UAGC rate of \$50 is adopted;
  - Christchurch City Council's proposed extension of the vacant site differential if adopted;

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<sup>1</sup>Local government funding and financing. Retrieved from <https://www.productivity.govt.nz/inquiries/local-government-funding-and-financing/>

<sup>2</sup><https://ndhadeliver.natlib.govt.nz/ArcAggregator/arcView/frameView/IE12126512/http://www.dia.govt.nz/Agency-Independent-Inquiry-into-Local-Government-Rates-Index>

- Costs relating to the expiry of existing demand credits; and
- Increased insurance costs.

5.6. All these various proposals create an uncertain and challenging post COVID-19 environment for the commercial sector in Christchurch.

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

5.7. The proposed increase will have a flow-on effect on all members of the community, not only the commercial sector. Property owners recover these costs through increased operating expenses and 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.

5.8. 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 Christchurch's built environment flourish. On the other hand, enabling development in Christchurch will grow the rates base which will then reduce the rates burden.

## **6. Vacant Sites Programme**

6.1. We are extremely concerned to see that the differential on vacant sites will be continuing and possibly extended to the commercially zoned areas of New Brighton, Lyttleton, Sydenham and Linwood Village from 1 July 2024.

6.2. When the vacant site differential was first introduced last year, our members understood 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, imposing a differential was (and still is) not the solution. We do not believe that the best way to help beautify the CBD 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.

6.3. 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 lingering effects of COVID-19.

6.4. Adopting the vacant differential to the suburbs of New Brighton, Lyttleton, Sydenham and Linwood Village will not only affect smaller owner developers who may not have the sufficient resource to face the burden of additional costs, but further entrench the vacant site differential as a revenue stream.

6.10. Ultimately, ensuring Christchurch remains a vibrant city is crucial to encouraging future development. It is important that the Council creates confidence for the private sector to continue to invest in Christchurch however increasing the vacant site differential and proposing to extend it, will not provide the reassurance the commercial sector needs.

## 7. UAGC

- 7.1. Property Council supports Option A which proposes to increase to the UAGC from \$145 to \$153. We do not support the alternative of setting the UAGC at a lower value of \$50. Reducing the UAGC will reportion rates towards the commercial sector (which includes the commercial property sector, business and industrial sectors) given that the UAGC funds general council services that predominately benefit residential ratepayers.

## 8. Council spending

- 8.1. Property Council supports Council investing \$2.05 million in a coordinated effort to attract major events to Christchurch. Council has a key role in leading and driving growth meaning such an investment will continue to see investment by the private sector into the regeneration and recovery of the city post-earthquakes.

## 9. Capital Endowment Fund

- 9.1. Property Council supports Option 1 which will use \$1 million from the CEF for one year only to fund grants, and reduce the overall average rates increase by 0.16%.

## 10. DC credit expiry

- 10.1. We are aware that the expiry of development contributions credits, is becoming an issue for the commercial property sector in Christchurch. Given that there was no development during the COVID-19 pandemic, we urge Council to extend the timeframe by two years to make up for the time lost.

- 10.2. We welcome an opportunity to discuss such an extension to this policy with Council.

## 11. Conclusion

- 11.1. We support the overall direction of Christchurch City Council's Draft Annual Plan 2023/2024 with the exception of expanding the Vacant Sites rating differential, increasing the business differential, and lowering the UAGC to \$50.

- 11.2. 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 2023/2024 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.

- 11.3. 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