

# Property Council New Zealand

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## Submission on Wellington City Council's Draft Annual Plan 2023/24

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<b>For more information and further queries, please contact</b>
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Sandamali Ambepitiya Sandamali@propertynz.co.nz 0210459871
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## Wellington City Council's Draft Annual Plan 2023/24

### 1. Summary

- 1.1 Property Council Wellington Branch ("Property Council") welcomes the opportunity to provide feedback on Wellington City Council's Draft Annual Plan.
- 1.2 We support the Council's Draft Annual Plan and the proposal to introduce a Johnsonville Business Improvement District but require additional information on the Business Improvement Districts fees and geographic boundary.
- 1.3 We do not support the continuation (of extremely high) business differentials and believe alternative funding and financing should be explored for the Council's 2024 Long Term Plan to ensure fair and equitable outcomes for the business sector.

### 2. Recommendations

- 2.1 At a high level, we recommend that Wellington City Council ("the Council"):
  - Discuss with Greater Wellington Regional Council the effects that their rates increase will have to Wellington businesses and the vibrancy of Wellington's City Centre;
  - Consider alternative funding methods such as targeted rates and special purpose vehicles to help reduce the business differential in next years' Long Term Plan; and
  - Work with Johnsonville business community in determining what the targeted rate is, and geographic boundaries for the Business Improvement District.

### 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 Council is the collective voice of the property industry. Property is the fourth largest industry in Wellington. There are around \$40.4 billion in property assets across Wellington, with property providing a direct contribution to GDP of \$4 billion (10 percent) and employment for 20,640 Wellington residents.
- 3.4. We connect property professionals and represent the interests of 134 Wellington based member companies across the private, public and charitable sectors.
- 3.5. This document provides Property Council's feedback on the proposed changes to [Wellington City Council's Draft Annual Plan 2023/24](#). Comments and recommendations are provided on issues relevant to Property Council's members.

### 4. General Comments

- 4.1. Property Council values the strong working relationship we have with Wellington City Council.

We would like to thank the Wellington City Council for its engagement with us. Our members are passionate about the future of Wellington City and want to see a thriving city with fairer outcomes for all. We look forward to continued collaboration.

- 4.2. We are generally supportive of the Draft Annual Plan as it seeks to strike a balance between consistency of rates increases with the 10 Year Plan and upgrading or maintaining current services.
- 4.3. However, our long-standing position on rating differentials remain unchanged as we are concerned that Wellington's business sector contributes 43% of total rates but does not receive 43% of council services or benefits.
- 4.4. We are long supporters of user pay funding systems and alternative funding and financing mechanisms such as; targeted rates and Special Purpose Vehicles under the Infrastructure Funding and Financing Act. We are alarmed to see that the Annual Plan states that Wellington City Council has considered accumulative surpluses as an 'alternative funding mechanism'. A council surplus comes from collected rates and is not an alternative funding solution, it is merely spending rates that have not spent in the past. We recommend the Council investigate viable options of alternative funding for next years Long Term Plan.

## **5. Rates increase**

- 5.1. Wellington City Council has proposed a 12.3% average increase in rates. Although this is only a 3.4% increase from last year, when combined with the proposed rates increase of 17.8% in the Greater Wellington Region, this means that the total rates increase is significant for Wellington City businesses.
- 5.2. The combined Wellington City Council and Greater Wellington Regional rates increase for Wellington's business sector will result in increased prices for goods and services in Wellington. The flow-on effect to building owners and managers will result in a shortage of capital, and instead of reinvesting into Wellington City, or maintaining or upgrading current buildings, a negative effect of no expenditure in Wellington will likely result. This will not see Wellington's built environment flourish. We have written to Greater Wellington Regional Council about our concerns.
- 5.3. We encourage Wellington City Council to discuss with Greater Wellington Regional Council the effects that their rates increase will have to Wellington businesses and the vibrancy of Wellington's City Centre.

### *Rating Solutions*

- 5.4. Property Council has longed championed for the reduction of rating differentials in Wellington. The proposed rating differential remains significantly high, with the Wellington business sector paying 43% of the total rates. This is significantly higher than Auckland's business sector who pay 31.33%, with a policy to eventually reduce to 25.8% for a fairer and more equitable rating split.
- 5.5. We do not believe that Wellington's proposed percentage split of general rates is equitable. Wellington City Council has not investigated the general rating split and what specific benefits the commercial sector receives. This is particularly important to assess post COVID-19, with the city still months or years away from worker capacity.

- 5.6. Currently Wellington City Council are undertaking a rates review, which is much needed for Wellington's business community. Property Council has long supported a fairer and more equitable system with alternative funding mechanisms such as; user pay models (e.g. toll roads), Private Public Partnerships (e.g. Transmission Gully), Special Purpose Vehicles (e.g. Milldale) or Targeted rates (e.g. downtown targeted rate collected from commercial properties in the downtown area).
- 5.7. 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.
- 5.8. We recommend Wellington City Council consider viable alternative funding solutions for next year's Long-Term Plan in order to reduce the business differential and encourage long term investment into the future of Wellington.

## **6. Johnsonville Business Improvement District (BID)**

- 6.1. Property Council supports Business Improvement Districts because the local business community will contribute towards a project or service within the specified area. Typically, the business association would be granted the funds collected from the targeted rate to use on activities that promote economic growth and wellbeing within the geographic location of the improvement district.
- 6.2. Despite our support for the introduction of a Johnsonville Business Improvement District, more information is required. The Draft Annual Plan is currently silent on the proposed fee for the Business Improvement District, and the specified area that the Business Improvement District would cover. We are concerned that without these key pieces of information, coupled with already high rating differentials, we are unable to provide any additional feedback to Wellington City Council.
- 6.3. We recommend Wellington City Council work with Johnsonville business community in determining what the targeted rate is, and location boundaries for the Business Improvement District.

## **7. Conclusion**

- 7.1. In summary, we are supportive of the proposed Annual Plan, noting our growing concerns with rating differentials.
- 7.2. Property Council members invest, own, and develop property in Wellington. We wish to thank Wellington City Council for meeting with us as well as the opportunity to submit on the draft Annual Plan 2023/24. 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.
- 7.3. Any further enquires do not hesitate to contact Sandamali Ambepitiya, Senior Advocacy Advisor, via email: [sandamali@propertynz.co.nz](mailto:sandamali@propertynz.co.nz) or cell: 0210459871.

Yours Sincerely,



Gerard Earl  
Wellington Committee Chair  
Property Council New Zealand