

Property Council New Zealand

Submission on Wellington City Council's Rating Policies Review

13 October 2023

For more information and further queries, please contact

Sandamali Ambepitiya Sandamali@propertynz.co.nz 0210459871
--

Wellington City Council's Rating Policies Review

1. Summary

- 1.1 Property Council Wellington Branch ("Property Council") welcomes the opportunity to provide feedback on Wellington City Council's Rating Policies Review.
- 1.2 Property Council supports a ratings review as this is much needed for Wellington's business community. While we are pleased to see the proposed decrease to the business differential from 3.75:1 to 3.25:1, we do not support the introduction of a 4.5:1 vacant site differential.

2. Recommendations

- 2.1 At a high level, we recommend that Wellington City Council ("the Council"):
 - Commence a staged reduction of the business differential until either removed or reduced to an equitable level over the next three annual plans (nine years) and replaced with alternative funding mechanisms that are fairer and more equitable;
 - Reconsider the introduction of a vacant site differential; and
 - Reword the current remissions policy, to capture buildings that are partly occupied.

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, Wellington (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 Rating Policies Review](#). 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 Council for its pre-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.

5. Changing the General Rates

Rates Differential

- 5.1. We are pleased to see that the Council has proposed to decrease the general rates differential for commercial, industrial and business rate payers from 3.7:1 to 3.25:1. Property Council has longed championed for the reduction of rating differentials in Wellington given the significant multitude of costs the business community has historically faced and continues to face. We oppose business differentials as a rating tool due to the lack of transparency of funding which has often meant that the level of commercial rates paid, is disproportionate to the level of services received.
- 5.2. We recommend that the Council take a step further to commence a planned reduction of the business differential until entirely removed and replaced with alternative funding mechanisms that are fairer and more equitable. Such funding mechanisms include 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).
- 5.3. 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.
- 5.4. We recommend Wellington City Council consider viable alternative funding solutions for next year's Long-Term Plan in order to reduce or remove the business differential and encourage long term investment into the future of Wellington.

Vacant site differential

- 5.5. We are extremely concerned to see the introduction of a vacant site differential. 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 and recommend that Council does not introduce a blanket vacant sites differential.
- 5.6. For our members, there are a multitude of reasons why sites may be vacant or appear vacant. The development process varies meaning that a '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.
- 5.7. Wellington is also faced with a number of vacant buildings, due to high insurance costs, general cost to do business and seismic issues. Seismic issues specifically have seen property owners unable to afford to strengthen or choose sell at a loss (a process which can take a number of years).
- 5.8. In order for Wellington's CBD to thrive, quality infrastructure is critical. Property Council recommends that Council take a targeted approach to discuss with the affected property owners to gain an understanding of what their plans are for the site and at what stage of the

development cycle they are in. Direct consultation with those who own the 60 vacant sites ensures that not all sites are being developed on at the same time, which would see Council have to contribute to the infrastructure that goes alongside these developments. This will help Council better stage and plan for future development.

6. Earthquake strengthening

- 6.1. Currently, the Council's rates remission policy includes a remission of targeted rates on properties under development or undertaking earthquake strengthening. The remission only remits targeted rates for commercial buildings that are 'not for purpose'.
- 6.2. Our members are concerned that policy is more restrictive than its intention. For example, a number of buildings in Wellington will not be defined as "vacant" under the policy as a proportion of the building space is occupied (i.e. ground floor retail). Under the current policy, this means that the building is occupied, barring these building owners from applying for earthquake strengthening benefits.
- 6.3. We recommend that the current wording in the policy to be reworded, to capture buildings that are partly occupied i.e. where 90% of the building needs to be vacant.

7. Conclusion

- 7.1. In summary, we are supportive of the decrease to the business differentials and appreciate the Council taking our feedback on board. However, we do not support the introduction of a vacant site differential. Property owners should not be penalised for deferring development when it is not economically viable. Ensuring that the right type of development occurs at the right time, is critical.
- 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 Rating Policies Review. 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 or cell: 0210459871.

Yours Sincerely,



Leonie Freeman
CEO Property Council New Zealand