

## Property Council New Zealand

---

# Submission on Draft Tauranga City Council Long-Term Plan 2024-34

15/12/2023

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

Logan Rainey

[Logan@propertynz.co.nz](mailto:Logan@propertynz.co.nz)

021410787

15 December 2023

Tauranga City Council  
Tauranga 3143  
Via Email: [submissions@tauranga.govt.nz](mailto:submissions@tauranga.govt.nz)

## **Draft Tauranga City Council Long-Term Plan 2024-2034**

### **1. Summary**

- 1.1 Property Council New Zealand Central Committee (“Property Council”) welcomes the opportunity to provide input on the Tauranga City Council’s [Draft Long-Term Plan 2024-34](#), [Draft Development Contributions Policy 2024-25](#) and [Draft Revenue and Finance Policy 2024](#). It is vital that Tauranga City Council implements a Long-Term Plan that is financially responsible whilst continuing to invest in the critical services that Tauranga needs.
- 1.2 Property Council support numerous elements of the proposed Long-Term Plan, such as the preferred approach to the Community Stadium or the proposed introduction of development incentives for the CBD. We welcome policies such as these on the basis that they will make Tauranga a more attractive place to live, work, play and shop.
- 1.3 However, we are extremely concerned that the proposed approach to increasing rating differentials will deliver significant harm to the business community in Tauranga, likely setting back years of work by Tauranga City Council to revitalise our city as a vibrant place to live, work and do business.
- 1.4 We also strongly oppose the unprecedented introduction of a new industrial property rating category. We urge Tauranga City Council to ensure fair and equitable treatment for commercial and industrial ratepayers.

### **2. Recommendations**

- 2.1 We recommend that Tauranga City Council:
  - Does not introduce a separate industrial property rating category, instead retaining the status quo (Option 2);
  - Commence a staged reduction of the business differential until either removed or reduced to an equitable level over the next three long term plans (nine years) and replace with alternative funding mechanisms that are fairer and more equitable;
  - Adopts their preferred community stadium, ‘*Option 1: Staged implementation*’;
  - Adopts ‘*Option 2: No targeted rate and continue with the assumption that Te Tumu will be developed and that costs will be recovered through development contributions (status quo)*’ and explores the future implementation of a localised targeted rate or IFF levy, to supplement development contributions;
  - Enact development contribution incentives for the city centre and closely align with the framework that has been implemented in Hamilton CBD;
  - Adopt ‘*Option 1 Investigate ‘SmartTrip’ through a business case investigation*’, and engages with the property sector to ensure effective implementation plans;

- Make greater use of alternative funding and financing models for investment in infrastructure that supports development (both citywide and local) to supplement development contributions; and
- Adopt the proposed changes to development contributions for retirement village units and aged care facilities.

### **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 the Bay of Plenty. Property provides a direct contribution to the Bay of Plenty GDP of \$2 billion (13 percent) and employment for 11,730 Bay of Plenty residents.
- 3.4 Property Council is the collective voice of the property industry. We connect property professionals and represent the interests of 67 Bay of Plenty based member companies across the private, public and charitable sectors.
- 3.5 This document provides Property Councils feedback on Tauranga City Council’s [Draft Long-Term Plan 2024-34](#), [Draft Development Contributions Policy 2024-25](#) and [Draft Revenue and Finance Policy 2024](#). Comments and recommendations are provided on issues relevant to Property Council’s members.

### **4. Approach to Rating Differentials**

- 4.1 Tauranga Council has proposed two deeply concerning changes to the way in which rates are collected across the city in the Long-Term Plan (and associated Revenue and Finance Policy). These are the unprecedented introduction of a separate industrial property rating category from that of other commercial properties and the significant increases to rating differentials.

#### Industrial Rating Category

- 4.2 Property Council does not support separating industrial and commercial properties from a rating category perspective as it will result in unfair and inequitable outcomes across the rating base. We strongly urge Tauranga City Council to retain the status quo and recommend that Tauranga City Council adopt ‘Option 2: Do not support a new industrial rating category’.
- 4.3 Property Council is conscious that Tauranga City Council previously commissioned an economics report from Insight Economics, dated 21 February 2022<sup>1</sup>, which recommended that: “TCC’s existing ratepayer groups be maintained”. That report found that separating the existing rating categories “would introduce significant additional complexity to the Council’s rating policy”.

---

<sup>1</sup> [https://www.tauranga.govt.nz/Portals/0/data/council/council\\_meetings/files/insight-economics-report.pdf](https://www.tauranga.govt.nz/Portals/0/data/council/council_meetings/files/insight-economics-report.pdf)

*Inequality of services rendered compared to rates levied*

- 4.4 We firmly disagree with Tauranga City Council's view that industrial properties have a disproportionately greater impact on Council owned infrastructure and transport. The commercial and industrial sector in Tauranga are already contributing funding towards transport through mechanisms such as; 'Transport System Plan' levies or road tolls/levies. Furthermore, industrial properties in Tauranga predominantly use transport infrastructure that is funded and maintained by central government through road tolls and taxes (e.g. state highways).
- 4.5 In practice, we would put forward that the actual level of services consumed by industrial properties is lower than assumed by Tauranga City Council. A large of portion of industrial properties across Tauranga are used for functions such as warehouses or heavy industrial uses, such a fertiliser manufacturing. These properties contribute their fair share in terms of transport funding and also pay their way on other inputs such as water or rubbish charges.
- 4.6 The proposed introduction of a separate industrial property rating category runs the risk of double-dipping occurring on transport infrastructure. It would inequitably result in industrial properties paying multiple times for the cost of their demand across the transport network when they are already paying a contribution towards transport. Put simply, under this proposal, an industrial property may be required to pay an Infrastructure Funding and Financing Act levy for the 'Transport System Plan', applicable road tolls, central government taxes, general rates increases and also be required to pay for transport through the industrial property rating category and rating differential increases. This is not equitable or proportionate relative to their impact on transport demand.
- 4.7 A core principle of the Local Government (Rating) Act 2002 is that costs should be allocated according to the benefit derived. The Local Government Act 2002 espouses similar principles, which are set out in s 101(3) and require that decisions on funding and rates must be made with reference to the outcomes of what is to be funded, the communities who benefit from it and the way in which different groups contribute to the need for funding. As such, it is important that any changes to rating differentials in Tauranga ascribes to this stye of approach and aligns the level of rates levied to quantity of services rendered.

*Risk of selective treatment*

- 4.8 The proposed introduction of a separate industrial property rating category is unprecedented across major New Zealand cities and carries significant risk of selective treatment of property and business types. Separate rating treatment of otherwise similar business properties opens the floodgates to future councils picking and choosing economic 'winners and losers' through rating categories that could choose what sector's discount others overtime. This is harmful to business certainty and will have a negative ripple effect across the region.

Increase to overall rating differentials

- 4.9 We are extremely concerned to see that Tauranga City Council is also proposing to increase rating differentials, in order to achieve a new percentage spilt of rates across the residential, commercial and industrial sectors by 2027/28. Based on current capital values, this would result in a differential of 1:2.98 for industrial ratepayers and a differential of 1:2.45 for commercial properties.

- 4.10 We do not support the proposed increase of rating differentials across Tauranga. Instead, we strongly recommend that Tauranga City Council commence a staged reduction of the business differential until either it is removed or reduced to an equitable level over the next three long term plans (nine years) and replace with alternative funding mechanisms that are fairer and more equitable.
- 4.11 Rating differentials are collected as general rates, leaving businesses unable to identify where rating differentials are spent, raising significant questions of a lack of transparency. As such, we firmly believe that the use of rating differentials lacks basic transparency and charges commercial and industrial rate payers at a degree disproportionate to the level of services provided.
- 4.12 Our position on transparency is consistent with the 2019 New Zealand Productivity Commission report on local government funding and financing<sup>2</sup> which found that: “councils’ rating practices are too often not transparent.” The report recommends councils should make better and more transparent use of their rating and other funding tools.
- 4.13 Under the proposals, commercial and industrial rate payers will be left paying a disproportionate share of general rates, relative to their share of the total capital value of properties across Tauranga. Other cities such as Auckland have previously acknowledged the disproportionate impact of rating differentials on business and have reduced rating differentials to 31 percent of the total rates pool.

#### Cumulative impact on Tauranga Business

- 4.14 We are deeply concerned about the cumulative impact of a new industrial property rating category and the proposed increase of rating differentials on the future of Tauranga; along with the increases to general rates, , rating differentials, existing targeted rates, and other charges. Local businesses in Tauranga are dealing with a range of external hindrances, including rising inflation, labour shortages, higher interest rates and increased costs from both central and local government.
- 4.15 Property Council is aware of numerous individual examples of industrial properties across Tauranga that have experienced staggering increases in rates as a result of successive increases to rating differentials and overall annual rates increases. Properties that ten years ago may have had a rates bill of around \$156,000 are now looking at a rates bill somewhere between \$600,000 to \$800,000.
- 4.16 Tauranga has a history of attracting businesses to relocate from other parts of the country. Tauranga’s unique cost competitive business environment and various lifestyle options available in the region have worked in its favour. However, in recent years, the city has seen significant increases in occupancy costs of 30+ per cent. Businesses that moved to Tauranga on this basis are now looking at a rates that would have been around \$30,000 in 2014 skyrocketing to north of \$170,000.
- 4.17 Ultimately, higher rating differentials, especially for industrial property, will make Tauranga a less attractive place to invest and do business. It will reduce investment in new businesses and

---

<sup>2</sup> Local government funding and financing. Retrieved from <https://www.productivity.govt.nz/inquiries/local-government-funding-and-financing/>

new developments across the city. It will also drive up the cost of existing goods and services produced in Tauranga and begin to create incentives for businesses to relocate to other jurisdictions. None of these are outcomes we would like to see in Tauranga.

#### Use of alternative funding and financing tools

- 4.18 Property Council has previously commended Tauranga for their pioneering use of the Infrastructure Funding and Financing Act for projects such as the Transport System Plan or the Civic Precinct.
- 4.19 We strongly support Tauranga City Council continuing to make further use of alternative funding and financing tools, such as targeted rates, public-private-partnerships or Special Purpose Vehicles (“SPVs”) as enabled under the Infrastructure Funding and Financing Act.
- 4.20 These additional tools are transparent, beneficiary pays funding models for local government, that are more equitable to ratepayers and better 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*.

### **5. Te Tumu Targeted Rate**

- 5.1 Tauranga City Council is proposing to introduce three different and tiered targeted rates (including one that would be citywide) to fund transport projects that meet “current and future growth” needs associated with the Te Tumu growth area.
- 5.2 Property Council is concerned that citywide ratepayers are unlikely to receive notable benefit from the proposed transport projects. We also philosophically favour the existing approach of growth paying for growth, and on that basis have supported the ongoing premise of appropriately levied development contributions. As such, we recommend that Tauranga City Council instead adopt ‘*Option 2: No targeted rate and continue with the assumption that Te Tumu will be developed and that costs will be recovered through development contributions (status quo)*’. Property Council further recommends that Tauranga City Council explores the future implementation of a localised targeted rate or IFF levy, to supplement development contributions.

### **6. Community Stadium**

- 6.1 Property Council and our members are proud advocates for Tauranga and support the development of a community stadium for the city. Future investment in a community stadium, alongside existing projects like the Civic Precinct, will put Tauranga on the path to rectifying decades of underinvestment in civic amenities. It will encourage further vitalisation of the entire city and contribute to more vibrant events and sporting calendar for all residents and visitors. It will also provide certainty and confidence for businesses to consider additional investment in new developments across the city and region.
- 6.2 However, we also share Tauranga City Council’s view that ‘*Option 1: Staged implementation*’ would be the most appropriate way in which to deliver a community stadium. We recommend that Tauranga City Council adopts Option 1. There are already a significant number of important projects and investments in the city underway, and these are occurring at time of financial pressure on both Tauranga City Council and ratepayers.

6.3 We believe that the immediate priority needs to be the successful delivery of current workstreams, with the community stadium being delivered overtime. In our view, a staged implementation of the community stadium would strike a fitting balance between financial prudence and necessary investment.

## **7. Proposed CBD development incentives**

7.1 Tauranga City Council is seeking input on whether to provide development contribution incentives for the city centre, similar to those that have been introduced in Hamilton. Property Council notes the positive effect that the Hamilton incentives have had on development patterns within their CBD. As such, Property Council recommends Tauranga City Council enact development contribution incentives for the city centre and closely aligns with the framework that has been implemented in Hamilton.

7.2 Currently, Hamilton City Council offers two tiers of development contribution remissions in the CBD<sup>3</sup>. At the discretion of Hamilton City Council, CBD developments that engage with the Urban Design Advisory Panel and achieve 'Lifemark 4-star certification' for the residential components of the development are eligible for a 50 per cent development contribution remission. Furthermore, subject to the same criteria, developments in the CBD with 6 or more storeys receive a 100 per cent development contribution remissions i.e. paying no development contribution.

7.3 As such, the Hamilton framework that we would like to see Tauranga align with applies to both residential and non-residential developments, with tiered incentives based on the scale of the proposed development. It is important to ensure that a wide range of different development styles are applicable within a future incentive regime, as the city centre would benefit from both additional apartments as well as investment in other development typologies such as hospitality, retail or office.

7.4 Incentives, alongside existing policy measures such as Plan Change 33, will further support intensification in the central city and will assist in maximising the wider benefit of Tauranga City Council's recent city shaping investment in central city amenities, such as the Civic Precinct. Property Council and our members would be interested in engaging collaboratively with Tauranga City Council to aid in the effective implementation of this proposal and share our members expertise in greater detail.

## **8. 'Smart Trip' congestion pricing**

8.1 Tauranga City Council is proposing to launch a business case investigation of 'SmartTrip' congestion pricing for future implementation across the city. This investigation would aim to explore the benefits and potential negative impacts of congestion pricing across the city.

8.2 Property Council has previously advocated our in principle support for congestion pricing as a tool for addressing road network congestion and providing additional revenue for transport infrastructure investments. However, the devil is always in the detail and there are a range of practical hurdles to overcome before implementing congestion pricing. It is important to note that any future congestion pricing scheme should be the result of robust consultation, including between the public and private sectors.

---

<sup>3</sup> <https://hamilton.govt.nz/property-rates-and-building/development-contributions/>

8.3 We ultimately recommend that Tauranga City Council adopt *'Option 1 Investigate 'SmartTrip' through a business case investigation'*, and also engages vigorously with the property sector to ensure effective implementation plans.

## **9. Development Contributions Policy 2024-25**

9.1 Property Council welcomes the opportunity to provide input on the Tauranga City Council's Development Contributions Policy 2024-25. We support various elements of the proposal but would also encourage greater use of alternative funding and financing tools.

### Development Contribution increases

9.2 Tauranga City Council is proposing to increase citywide development contributions for residential development by 15 per cent. This represents a new development contribution fee of \$34,477 for a three bedroom residential development, an increase of \$4,470. Likewise, Tauranga City Council has also updated the capital expenditure budgets for local development contributions. As such, local development contributions are increasing by varying rates. For example in Papamoa, local development contributions are increasing by 7.6 per cent and for Tauranga infill, they are increasing by 8.7 per cent. Overall, the cost of new development in Tauranga is facing significant cost pressure from development contributions.

9.3 Property Council acknowledges the financial pressures facing Tauranga City Council when it comes to delivering critically needed new infrastructure to support additional housing and development such as; the significant price inflation for delivering water projects like the Waiari Watermain. However, we are also concerned that the increase in development contributions (both citywide and local) will result in negative consequences and flow on effects across the city.

9.4 Higher development contributions will result in additional costs being passed on to the eventual buyer or occupier. As a result, housing and occupancy costs will become more expensive. Planned developments may potentially be postponed or cancelled, due to increased costs reducing the overall affordability of the development or project. Often less affordable typologies of housing will end up being built.

9.5 In a time when Tauranga is experiencing record growth in house prices and ongoing shortages of new homes, we believe that policies should where possible be supporting the delivery of housing as one step to alleviate affordability issues. We recommend that Tauranga City Council make greater use of alternative funding and financing models for investment in infrastructure that supports development (both citywide and local) to supplement development contributions.

### Introduction of a four+ bedroom citywide development contributions

9.6 Tauranga City Council is proposing to introduce a new development contribution charge for residential developments with four or more bedrooms. Property Council notes that this new category of residential development contributions will increase the cost of building new housing of four or more bedrooms.

9.7 While we are conscious of the need to fund high quality infrastructure and the cost to Tauranga City Council of doing so, we are likewise concerned about the flow on consequences to house prices and homebuyers (as outlined in paragraph 9.4). Property Council also suggests that the



assumption that additional bedrooms will always lead to higher occupancy is flawed. In many cases there are higher occupancy rates in apartments and townhouses compared to houses. For example, a two-bedroom apartment that is rented will likely have four people living in it compared to a four-bedroom home that may only have two to three people living in it. We have long since opposed development contributions being charged on the number of bedrooms.

Changes for retirement & aged care developments

- 9.8 Tauranga City Council is proposing two changes that would reduce the level of some development contributions fees paid by new retirement village units and aged care facilities. For those developments, the citywide development contribution fee for the transport, reserves, and community facilities would reduce from 0.5 household unit equivalents (HUE) to 0.3 HUE. The development contribution for Aged Care Facilities would also be reduced so that charges for Transport, Reserves and Community Facilities are based on 0.15 HUE (down from 0.4 HUE). Development contributions for water, wastewater, and stormwater activities would remain the same.
- 9.9 Property Council is comfortable with the proposed changes to development contributions for retirement village units and aged care facilities and recommends their adoption. This is given evidence from across the retirement and aged care sectors that residents of these developments use these types of facilities at a far lower rate due to factor such as age or frailty.

**10. Conclusion**

- 10.1 While Property Council supports numerous aspects of the proposed Long-Term Plan and the Development Contributions Policy, we are also extremely concerned about the impact of rating differential changes on the future of Tauranga's built environment. We do not support the proposed approach to increasing rating differentials and do not support the unprecedented introduction of a new industrial property rating category. We have provided an alternative approach to rating differentials that we believe will help ensure fair and equitable treatment for all ratepayers. We also favour alternative funding and financing approaches to supplement development contributions.
- 10.2 Property Council members invest, own, and develop property in Tauranga. We wish to thank Tauranga City Council for the opportunity to submit on the Long-Term Plan 2024-34, as this gives our members a chance to have their say in the future of our city.
- 10.3 Any further enquires do not hesitate to contact Logan Rainey, Advocacy Advisor, via email: Logan@propertynz.co.nz or cell: 021410787.

Yours Sincerely,



Morgan Jones

Central Committee Chair