

Property Council New Zealand

Submission on

Draft Hamilton City Council Long Term Plan 2024-2034

19 April 2024

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Hamilton City Council Draft Long Term Plan 2024-2034.

1. Summary

- 1.1 Property Council New Zealand Central Region (“Property Council”) welcomes the opportunity to submit on [Hamilton City Council’s Draft Long Term Plan 2023-2024](#) (“Long Term Plan”). It is vital that Hamilton City Council implements a Long-Term Plan that is financially responsible whilst continuing to invest in the critical services that Hamilton needs.
- 1.2 Property Council sympathises with the financial challenges facing Hamilton City Council and acknowledges upward pressure on rates and debt. To address these financial challenges, and help alleviate pressure on ratepayers, we recommend making use of alternative funding and financing tools, as well as pursuing a city and regional deal with central government.
- 1.3 Property Council has provided a separate submission to Hamilton City Council on the proposed increases to development contribution fees. We are deeply concerned about the impact of higher fees on housing supply and affordability across Hamilton and strongly oppose them.

2. Recommendations

- 2.1 Property Council recommends that Hamilton City Council:
 - Implement alternative funding and financing tools for infrastructure;
 - Pursue a city and regional deal with central government to fund Hamilton’s infrastructure;
 - Expands the Business Improvement District, in alignment with the proposed delivery of the walking and cycling bridge;
 - Retain the existing two hours of free parking in the central city; and
 - Engages with Property Council regarding the upcoming rates review.

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 second largest industry in the Waikato. There are around \$130.4 billion in property assets across the Waikato, with property providing a direct contribution to GDP of \$2.8 billion (12 percent) and employment for 18,030 Waikato residents.
- 3.4 Property Council is the collective voice of the property industry. We connect property professionals and represent the interests of 86 Waikato based member companies across the private, public, and charitable sectors.

4. Approach to Hamilton City Council finances

- 4.1 Hamilton City Council is currently facing significant financial headwinds. To address these, Hamilton City Council is proposing large rate increases, deferring \$130 million in capital projects in the first three years of the Long Term Plan, and removing \$100 million in capital expenditure over the full ten years. There are also \$104 million (over 10 years) of spending cuts proposed.
- 4.2 Hamilton City Council is also proposing staggering increases to development contributions, about which Property Council has deep concerns. Table 1 below highlights Hamilton City Council's proposed financial approach for the duration of the Long Term Plan.

Table 1: Hamilton City Council proposed finances – Long Term Plan 2024-34

Year	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Ave. rates increase (residential)	19.9%	15.5%	15.5%	15.5%	15.5%	9%	5%	5%	5%	5%
Balancing the books (millions)	-\$38m	-\$10m	\$27m	\$72m	\$121m	\$154m	\$169m	\$183m	\$196m	\$224m
Debt-to-revenue ratio	281%	273%	268%	268%	275%	274%	267%	257%	246%	234%
Net debt (millions)	\$1238	\$1404	\$1638	\$1847	\$2027	\$2164	\$2288	\$2337	\$2325	\$2356

- 4.3 Property Council wishes to acknowledge that there is upward pressure on rates and debt because of factors such as inflation and interest rates. We sympathise with the financial circumstances facing Hamilton City Council. However, the private sector is also facing significant cost pressure and a collaborative approach to meeting these challenges is critical.

Introduction of new targeted rates

- 4.4 Hamilton City Council are consulting on whether to introduce a targeted rate to fund community infrastructure and a targeted rate to fund community resilience initiatives. There are three proposed options for both targeted rates, which are:
- Do not collect targeted rates;
 - Collect at 40c per week for a median-value residential property (which is the equivalent of 0.73% rates increase); and
 - 80c per week for a median value residential property (which is the equivalent of 1.46% rates increase).
- 4.5 Property Council favours the use of targeted rates and supports implementing them in Hamilton. Targeted rates are an important funding tool that enables infrastructure and public services to be funded in a transparent manner for ratepayers. A transparent, user-pays funding

system better ensures that those who contribute towards the targeted rate are those who will receive the benefits of the project. Therefore, it makes sense for a targeted rate to fund community infrastructure projects and community resilience initiatives. We support Hamilton City Council setting either proposed amount for these two targeted rates.

Carparking in the central city

- 4.6 Hamilton City Council is proposing to introduce demand-responsive pricing for parking in the central city, ending the trial of two hours of free parking that has been in place since 2017. As part of this change, the city centre targeted rate (which makes up for lost parking revenue) would be disestablished overtime.
- 4.7 While Property Council generally favours user-pay systems, we are ultimately more concerned that the removal of free parking in the central city would be detrimental to efforts to revitalise the central city. We recommend that Hamilton City Council retain the existing two hours of free parking in the central city.

Central City Business Improvement District (“BID”)

- 4.8 Hamilton City Council has worked with the Hamilton Central Business Association to propose changes to rating of commercial properties in the central city. The proposals would see the BID targeted rate increase by the same amount as general rates, capped at 5 per cent. The proposal also increases rates for commercial properties in the Central City CBD Boundary from 95 per cent to 100 per cent of Commercial category rates, transitioned over three years. There is also a proposal to expand the BID area to include a portion of Hamilton East from 1 July 2024.
- 4.9 Property Council supports the rating changes for the BID. It is important for central city property owners to benefit from the work of HCBA, along with advocacy in the development space. Property Council also supports extending the BID into Hamilton East, so long as this move is aligned with the proposed delivery of the walking and cycling bridge linking the central city to Hamilton East.
- 4.10 Ensuring additional connectivity between both areas is critical for promoting urban vitality, economic growth, and new development. Combined with the Waikato Regional Theatre completion, these will the central city as an attractive destination for Kiwi’s to live, work, play and shop.

Upcoming rates review

- 4.11 Hamilton City Council has agreed to conduct a “comprehensive rates review”. This will consider whether there are further changes that could be introduced to Council’s rating system in the 2025/26 Annual Plan. The rates review will consider:
- The cost and implications of developing new rates to address specific issues;
 - Options around underdeveloped land – including new subdividable land and vacant land and underdeveloped commercial land;
 - Equity of rates on land with multiple separately used and inhabited parts of a rating unit (SUIP);
 - Assessment of exceptional land use (for example, high users or negative impacts); and
 - Assessment of the equity of the Uniform Annual General Charge (UAGC).
- 4.12 Property Council is interested in the future design of Hamilton’s rating system. Having a robust and equitable approach to rates is critical for fairly delivering the investment and infrastructure

that Hamilton needs. We recommend that Hamilton City Council engages with Property Council regarding the upcoming rates review.

- 4.13 As initial comments on the rates review, Property Council favours an approach to rates that it is transparent, fair, and equitable to all ratepayers. This approach drives our support for rating approaches such as targeted rates, and our longstanding concerns over the use of commercial rating differentials.
- 4.14 Rating differentials are an inequitable approach to generating revenue. Rating differentials are collected as general rates, leaving businesses unable to identify where the additional funds raised by differentials are spent. This leads to significant concerns regarding a lack of transparency.
- 4.15 Our position on transparency is consistent with the 2019 New Zealand Productivity Commission report on local government funding and financing¹ 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.
- 4.16 Furthermore, we acknowledge the importance of ensuring policy settings support the development of vacant or underdeveloped land across Hamilton. However, we have deep concerns about the proposed application of rating tools towards this objective. We do not believe that rates, and associated increases to financial pressure on property owners, is the way to achieve improved development outcomes.
- 4.17 There are a multitude of reasons why sites may be vacant or appear vacant. 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. Furthermore, the programme does not take into consideration property owners who are trying to on-sell, a process that can take several years. We recommend Hamilton City Council met with us to discuss further.

5. Need for alternative funding tools

- 5.1 Hamilton City Council faces a significant array of financial challenges and traditional funding tools such as rates or development contributions are not working to meet Hamilton’s needs. Property Council champions the need for alternative funding tools. This message is reiterated in our submission on Hamilton City Council’s proposed Development Contribution Policy.

Alternative approaches to funding and financing

- 5.2 Property Council strongly supports the use of alternative funding and financing tools by local government, such as targeted rates, public-private-partnerships, or Special Purpose Vehicles (“SPVs”) as enabled under the Infrastructure Funding and Financing Act. We recommend that Hamilton City Council implement alternative funding and financing tools for infrastructure.
- 5.3 For example, SPVs are an important tool for funding and financing infrastructure in a fair and equitable manner. SPVs are advantageous as they sit off a Council’s balance sheet and do not impact debt levels. Property Council has previously supported Tauranga City Council’s use of

¹ Local government funding and financing. Retrieved from

<https://www.productivity.govt.nz/inquiries/local-government-funding-and-financing/>

SPVs for the Transport System Plan and Civic Precinct project, as well Wellington City Council's use of SPVs for the Moa Point sludge minimisation project.

- 5.4 All 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.

Role of central government

- 4.2 Given the significant scale of investment required across Hamilton, and the funding constraints facing Hamilton City Council, there is a critical and ongoing role for central government in helping fund new infrastructure. We acknowledge Hamilton City Council's success to date in securing central government funding through initiatives such as the Infrastructure Acceleration Fund (IAF).
- 4.2 With the recent change in Government, there is increasing growing discussion regarding city and regional deals between central and local government that could unlock funding and create certainty for future infrastructure investment. City and regional deals are a long-term agreement between central and local government to establish shared infrastructure investment and an agreed pipeline of funding.
- 4.2 Plausibly, these arrangements could further encompass new and innovative approaches to funding and financing, such as revenue sharing measures (i.e. sharing GST with local government), public-private partnerships, value capture and/or user-charges (i.e. road-congestion charges).
- 4.2 Having greater financial support and investment from central government will drive improved infrastructure outcomes across Hamilton. This will help unlock Hamilton as an exciting place to live, work, play and shop, as well an attractive destination for investment and development. Property Council recommends that Hamilton City Council pursue a city and regional deal for Hamilton with central government to fund infrastructure.

6. Conclusion

- 6.1 Property Council sympathises with the financial challenges facing Hamilton City Council and acknowledges upward pressure on rates and debt. To address these financial challenges, and help alleviate pressure on ratepayers, we recommend making use of alternative funding and financing tools, as well as pursuing a city and regional deal with central government.
- 6.2 Property Council has provided a separate submission on the proposed increases to development contribution fees. We are deeply concerned about the impact of higher fees on housing supply and affordability across Hamilton and strongly oppose them.
- 6.3 Property Council members invest, own, and develop property in Hamilton. We thank Hamilton City Council for the opportunity to submit on the Draft Long Term Plan 2024-2034. We also wish to be heard in support of our submission. 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 – Property Council New Zealand