

Property Council New Zealand

Submission on

Draft Auckland Council Long Term Plan 2024-2034

28/03/2024

For more information and further queries, please contact

Logan Rainey

Logan@propertynz.co.nz

021410787

28 March 2024
Auckland Council
Auckland 1142

Email: akhaveyoursay@aucklandcouncil.govt.nz

Auckland Council Long Term Plan 2024-2034

1. Summary

- 1.1 Property Council New Zealand Auckland Region (“Property Council”) welcomes the opportunity to submit on [Auckland Council’s draft Long Term Plan 2024-2034](#) (“Long Term Plan”). It is vital that Auckland Council implements a Long-Term Plan that is financially responsible whilst continuing to invest in the critical services that Auckland needs.
- 1.2 Property Council broadly supports most of the direction set out in Auckland Council’s ‘Central Proposal’, with some exceptions. We believe that overall, this proposal strikes the appropriate balance between investment in Auckland’s future, and continued affordability for ratepayers.
- 1.3 However, we are extremely concerned that the proposed discontinuation of the Long Term Differential Strategy (“LTDS”) will deliver significant harm to the business community in Auckland. We strongly oppose the proposed discontinuation of the LTDS and urge Auckland Council to recommit implementing the LTDS as planned, or to a temporary pause of the LTDS until the financial situation improves, to ensure fair and equitable treatment for business ratepayers across the city.

2. Recommendations

- 2.1 At a high level, we recommend that Auckland Council:
 - Adopts the ‘Central Proposal’, with the exception of considering further co-investment in public transport alongside central government;
 - In the first instance, recommit to implementing the LTDS as previously planned, or in the second instance, a temporary pause of the LTDS until the financial situation improves;
 - Investigates the use of alternative funding and financing tools for infrastructure;
 - Does not increase the differential on targeted rates;
 - Explores alternative funding and financing for water infrastructure; and
 - Allocate appropriate funding to improve resourcing and processes within the consenting team, in order to meet expected increases in consenting volumes.

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 Auckland's largest industry. Property provides a direct contribution to Auckland's GDP of \$12 billion (12 percent) and employment for 71,940 Auckland residents.
- 3.4. Property Council is the collective voice of the property industry. We connect property professionals and represent the interests of 398 Auckland based member companies across the private, public and charitable sectors.
- 3.5. This document provides Property Council's submission on [Auckland Council's draft Long Term Plan 2024-2034](#). Comments and recommendations are provided on issues relevant to Property Council's members.

4. Strategic direction for Auckland

- 4.1. Auckland Council is consulting on three general options for Auckland's strategic direction and operational/capital investment program. These are the 'Central Proposal' (which is favoured by Auckland Council), 'Pay Less, Get Less' and 'Pay More, Get More'.
- 4.2. Property Council is broadly supportive of the direction set out in Auckland Council's 'Central Proposal'. We support various elements of this proposal and acknowledge that there is upward pressure on rates due to interest rates and inflation. There are also areas where we see scope for an alternative approach to be taken by Auckland Council (such as transport investment or water infrastructure).
- 4.3. In our view, the 'Pay Less, Get Less' option would starve Auckland of critical infrastructure investment and public services, whereas the 'Pay More, Get More' would result in significant affordability challenges across the city, at a time that the cost of doing business is rising steeply and interest rate as well as inflation pressures are affecting all ratepayers.
- 4.4. We recommend that Auckland Council adopt the 'Central Proposal' as Auckland's Long Term Plan, with the exception of considering further co-investment in public transport alongside central government. We believe this will strike the appropriate balance of investment in Auckland's infrastructure and improving public transport.

5. Rating Differentials

- 5.1. Property Council is extremely concerned to see that Auckland Council has proposed to discontinue the LTDS, leaving the commercial sector's share of rates at around 31% and walk away from their longstanding commitment to reduce rating differentials overtime.
- 5.2. The use of rating differentials has been consistently opposed by Property Council. 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.
- 5.3. 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.

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

- 5.4. Auckland Council's existing Revenue and Finance Policy makes clear that the commercial sector pays too high of proportion of the total rates take and acknowledges that high rating differentials hamper economic development across the city. As it stands, the commercial sector contributes around 31 per cent of the total rates take and Auckland Council had previously committed to gradually lowering this to 25.8 per cent through the LTDS.
- 5.5. Prior to the last year's pause of the LTDS, it was being implemented on an elongated timeline. Property Council members have supported the gradual reduction of rating differentials. This is because it provides certainty to the commercial sector that inequities within the rating system were being addressed overtime. Discontinuing the LTDS not only has a financial impact on the property sector, but also negatively impacts the sectors confidence to invest across Auckland in new developments.
- 5.6. In the first instance, Property Council recommends that Auckland Council recommit to implementing the LTDS as planned. In the second instance, if Auckland Council is unwilling to recommit to the LTDS for this financial year, we recommend a temporary pause of the LTDS until the financial situation improves. For example, if City and Regional Deals unlock significant new funding avenues, there would likely be sufficient financial headroom next financial year to restore Auckland Council's commitment to the LTDS.

6. Alternative approaches to funding and financing

- 6.1. Property Council strongly supports the 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. We recommend that Auckland Council investigates the use of alternative funding and financing tools for infrastructure.
- 6.2. 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 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.
- 6.3. As another example, there is also significant scope for private capital to complement existing public investment in infrastructure. There is growing demand for high-quality infrastructure investments across New Zealand and as such, increasing potential for Auckland Council to explore public-private-partnerships to unlock investment in critically needed infrastructure.
- 6.4. 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 for central government funding

- 6.5. Given the significant scale of investment required in Auckland's infrastructure, and the funding constraints facing Auckland Council, there is a critical role for central government in helping fund new infrastructure across Auckland. Having greater financial support from central government will drive improved infrastructure outcomes across Auckland. This will help unlock Auckland as an exciting place to live, work, play and shop, as well an attractive destination for investment and development.
- 6.6. Property Council shares Auckland Council's view on this topic and strongly supports continued advocacy from Auckland Council to unlock additional co-investment from central government

in Auckland. This could be through mechanisms such as City and Regional Deals or other initiatives and revenue streams such as congestion pricing.

7. Targeted Rates

- 7.1. Property Council is broadly comfortable with Auckland Council's proposal to retain targeted rates to fund specific projects, such as the Climate Action Transport Targeted Rate or Water Quality Targeted Rate. Targeted rates are an important funding tool that enables infrastructure and public services to be funded in a transparent manner for ratepayers.

8. Transport

- 8.1. It is critical to improve Auckland's transport system, to ensure that people and freight can move around the city faster and more efficiently. Overall, the transport system in Auckland does not deliver the outcomes that should be expected in a major city. This has negative consequences across a range of areas such as city-wide productivity, transport emissions, and housing supply.
- 8.2. We are pleased to see that Auckland Council recognises the ongoing transport challenge, and the importance of sustainable investment in improving transport, in particular public transport. At a minimum, Property Council supports the 'Central Proposal' for transport. However, transport is an area where we see scope for further investment in the future. We also acknowledge the financial impact for Auckland Council in central government removing the regional fuel tax.
- 8.3. Unlocking improved transport outcomes in Auckland is critical for improving our cities economic productivity, which is currently dampened by time lost because of congestion. Improved transport will also support greater housing supply through enabling urban intensification. Being strategic around the placement of future public transport and connecting improved transport solutions to existing and new housing is critical to increase productivity across Auckland.
- 8.4. We recommend that Auckland Council consider further co-investment in transport alongside central government. Future investment in transport could be funded through co-investment with central government through mechanisms like City and Regional Deals or the use of alternative funding and financing tools. Our position on alternative funding and financing tools is discussed earlier in this submission.

9. Water

- 9.1. Property Council broadly supports the direction set out in the Central Proposal for water. We acknowledge that there is significant capital investment in water infrastructure required across Auckland. However, we are concerned about the significant escalation in water growth charges. Higher water growth changes will have financial impact on new housing developments and represent an additional cost at a time of cumulative cost pressure on the development sector.
- 9.2. Where possible, we recommend exploring the use of alternative funding and financing tools for water infrastructure. This will help alleviate the financial pressure on new developments and contribute towards Auckland reaching its housing supply and affordability ambitions.

10. Development Contributions

- 10.1. Property Council acknowledges that Auckland Council's Development Contribution policy will be updated separately from the Long Term Plan and informed by final decisions on the capital programme.

- 10.2. Property Council has longstanding concerns regarding the 30-year collection timeframe and significantly increased development contribution fees that was introduced in Drury and is planned for implementation in other Investment Priority Areas (Mt Roskill, Tāmaki, Mangere, Northcote, Oranga, CRL stations, Inner Northwest).
- 10.3. Our members can offer substantial assistance with this work through feedback on the draft Development Contributions Policy. We look forward to future engagement with Auckland Council on this matter.

11. Consenting Process

- 11.1. Property Council would like to make a general comment on consents. We have a longstanding desire to see improved consenting processes across Auckland. While we appreciate the constraints facing Auckland Council in this space, time delays for consents (as well as other matters such as traffic permits) have too often been a significant barrier to development in Auckland.
- 11.2. With the decline in the residential property market, our Auckland based members have noticed very recent improvements to wait time for resource consents. However, on 13 March 2024, we surveyed 155 Property Council members on the question of "For you or your customer's most recent project, how long did it take to obtain Resource Consent?" The top response for 30% of people was four to six months. This was followed by 28% of responses reporting more than twelve months for resource consent.
- 11.3. It is critical that Auckland Council work towards reducing wait times, particularly when the market returns to strength. Property Council recommends that in the Long Term Plan Auckland Council allocate appropriate funding to improve resourcing and processes within the consenting team, to meet expected increases in consenting volumes. We look forward to continued engagement with the regulatory services team on this and other topics.

12. Other Matters

Economic and Cultural Development

- 12.1. Property Council supports a leadership role for Auckland Council in developing and implementing a clear strategy to support the cities economic and cultural development. There is an important role for cultural and recreational infrastructure to support our cities economic development. Furthermore, events are critical driver of economic growth across Auckland, providing opportunities for local employers and communities. Collectively, these enhance Auckland as a desirable destination to live, work, play and shop, while also improving the business environment across the city.

Local Purpose Reserves

- 12.2. Property Council notes the ongoing importance of continued funding for local purpose reserves, that have been agreed to through granted resource consents. Ensuring Local Boards have sufficient funding for this in the Long Term Plan is critical to delivering a quality open space network for Aucklanders.

Auckland Unitary Plan review

- 12.3. Property Council notes that the Auckland Unitary Plan review is currently scheduled for 2026. When further information is available, the development community would appreciate timely updates as to the program and scope for this work. This will in part inform planning and investment decisions by the private sector.

13. Conclusion

- 13.1. Property Council broadly supports most of the direction set out in the 'Central Proposal', with some exceptions. However, we strongly oppose the proposed discontinuation of the LTDS. We urge Auckland Council to recommit implementing the LTDS as planned, or to a temporary pause of the LTDS until the financial situation improves, to ensure fair and equitable treatment for business ratepayers across the city.
- 13.2. Property Council members invest, own, and develop property in Auckland. We wish to thank Auckland Council for the opportunity to submit on [Auckland Council's draft Long Term Plan 2024-2034](#) as this gives our members a chance to have their say in the future of our city.
- 13.3. Any further enquires do not hesitate to contact Logan Rainey, Advocacy Advisor, via email: Logan@propertynz.co.nz or cell: 021410787.

Yours Sincerely,



Martin Cooper
Auckland Committee Chair