

# Property Council New Zealand

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## Submission on Wellington City Council's Long-Term Plan 2024-34

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<b>For more information and further queries, please contact</b>
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## Submission on Wellington City Council's Long-Term Plan 2024-34

### 1. Summary

1.1 Property Council Wellington Branch ("Property Council") welcomes the opportunity to provide feedback on Wellington City Council's Long-Term Plan 2024-34.

### 2. Recommendations

2.1 At a high level, we recommend that Wellington City Council ("the Council"):

- Reduce the business differential from 3.7:1 to 3.2:1 and 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;
- Investigate city and regional deals as an alternative source of funding;
- Reject the introduction of a vacant site differential;
- Wait until the new central library has opened before closing Arapaki Service Centre and Temporary Library; and
- Provide the sector with more detail regarding the eligibility criteria for the proposed remission of general rates for earthquake prone buildings.

### 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 Long-Term Plan 2024-34](#). Comments and recommendations are provided on issues relevant to Property Council's members.

#### **4. Cost of doing business in Wellington**

- 4.1. It is no secret that Wellington is one of the most expensive cities to do business in New Zealand. While we understand that the Council is operating in a tough economic environment, we are concerned that some of the Council's proposals will further engrain this sentiment, decrease business vibrancy, and ultimately reduce future investment in Wellington.
- 4.2. The below list is an example of some proposed costs, increases and fees in Wellington:
- Wellington City Council's proposed rates increase of 16.4 per cent;
  - Wellington City Council's proposal to maintain the rating differential at 3.7:1;
  - Wellington City Council's proposed Sludge minimisation facility rates levy at 1.6 per cent (which will be in addition to the rates increase for 2024/25);
  - Wellington City Council's proposed vacant site differential of 5.1:1; and
  - Greater Wellington Regional Council's proposed rates increase of 19.8 per cent.
- 4.3. All these various proposals are creating an uncertain and challenging environment for the commercial sector in Wellington.

##### *Flow on effects for Wellington businesses, residents and visitors*

- 4.4. These proposed increases will have a flow-on effect on all members of the community, not only the commercial sector. Property owners will be forced to recover these costs through increased rental levels, while business owners will have no choice but to recover these costs through increased costs for products and services. It is also unclear what the additional rates are funding and whether it is beneficial to the business needs.
- 4.5. Furthermore, any exponential increase in rates will mean that building owners may not be able to invest in improving their business, carrying out maintenance and upgrades. This will not see existing businesses nor Wellington's built environment flourish.

##### *Rates Differential*

- 4.6. We are extremely concerned to see the Council has in principle, proposed to retain the general rates differential for commercial, industrial and business rate payers at 3.7:1, despite originally proposing to decrease it to 3.25:1 in last year's Rates Review.
- 4.7. 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.
- 4.8. We recommend that the Council decrease the differential to 3.25:1 and also 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).

- 4.9. 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. Role of Central Government**

- 5.1. 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. Having greater financial support and investment from central government will drive improved infrastructure outcomes across Wellington. This will also help unlock Wellington as an exciting place to live, work, play and shop, as well an attractive destination for investment and development.

## **6. Vacant site differential**

- 6.1. The Council is proposing to introduce a vacant site differential of 5.1:1. Vacant site differentials are a new tool that local government are implementing to collect more rates. It was first noticeably adopted by Christchurch City Council as a means to beautify vacant sites within the CBD particularly given some sites have remained vacant following the Christchurch Earthquake – a unique circumstance which is different from Wellington.
- 6.2. The Council initially proposed introducing a vacant site differential of 4.1:1 in the 2023 Rates Review. However, the Long-Term Plan figures are proposing 5.1:1. If adopted, this will be the highest vacant land differential across all Councils.
- 6.3. 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.
- 6.4. 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.

- 6.5. 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 to sell at a loss (a process which can take a number of years).
- 6.6. As part of our recommendations in the Rates Review, we asked for Council to talk to 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. We would like to know whether Council has approached any of these property owners.
- 6.7. Ultimately, ensuring Wellington remains a vibrant city is crucial to encouraging future development. It is important that the Council creates confidence for the private sector to continue to invest in Wellington however increasing the vacant site differential will not provide the reassurance the commercial sector needs.

#### *Closure of Arapaki Centre and Temporary Library*

- 6.8. We are disappointed to see that the Council has proposed to close the Arapaki Service Centre and Temporary Library 18 months earlier than planned. Part of the Council's vision for the future of Wellington is about "creating a dynamic, sustainable and vibrant city". We are concerned that the closure will not help achieve this, given it will reduce foot traffic to this area of the city and create another vacant space. We recommend that the Council wait until the new central library, Te Matapihi, is opened in February 2026 to close both the Arapaki Service Centre and Temporary Library.

## **7. Earthquake Prone Buildings remission**

- 7.1. The Council is looking to introduce a remission of general rates for earthquake-prone buildings falling under two categories: residential buildings that have body corporates or one or two-storey commercial/mixed use buildings. While we support such a remission, we would like to request more information around the selection of these two building types, particularly given that there are many earthquake-prone buildings across all categories. Any reasoning behind this that the Council could provide, would be useful for our members.

## **8. Conclusion**

- 8.1. Property Council advocates for the creation of a well-designed, functional and sustainable built environment. While we understand that Council is operating in a tough economic environment, we are concerned that some of the Council's proposals, such as the proposed decision to maintain the business differential and in introduction of a vacant site differential, will negatively impact businesses and property owners in Wellington.

- 8.2. Property Council members invest, own, and develop property in Wellington. We wish to thank Wellington City Council for the opportunity to submit on the Long-Term Plan 2024-34. 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.**
- 8.3. 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