

Property Council New Zealand

Submission on Hutt City Council's 10 Year Plan 2024-2034

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For more information and further queries, please contact

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Hutt City Council's 10 Year Plan 2024-2034

1. Summary

1.1 Property Council Wellington Branch ("Property Council") welcomes the opportunity to provide feedback on Hutt City Council's 10 Year Plan 2024-2034.

2. Recommendations

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

- Investigate alternative funding methods such as targeted rates and special purpose vehicles;
- Supplements development contributions with alternative funding and financing tools to reduce cost pressures;
- Pursue a city and regional deal with central government to contribute towards funding regional infrastructure; and
- Adopt Option 2 for funding growth infrastructure.

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 [Hutt City Council's 10 Year Plan 2024-2034](#). Comments and recommendations are provided on issues relevant to Property Council's members.

4. Rates increase

4.1. The total revenue collected from rates for 2024-25 is proposed to increase by 16.9 per cent, with the impact of this on the average commercial central property also being 16.9 per cent.

4.2. While Property Council can appreciate that Council has landed on 16.9 per cent increase after weighing up various options and making budget savings, this increase, along with the proposed increase in development contributions, has the potential to dampen business prosperity in Lower Hutt.

5. Increase in Development Contributions (DCs)

Impact on housing affordability

5.1. DCs can either enable or stifle development. It's easy to look at an increase and expect that it will have minimal impact, but collectively these increases could significantly increase the cost and risk of development. At a time when we desperately need to increase Lower Hutt's housing supply, particularly of affordable housing, and streamlining development, we are potentially creating a situation with the opposite effect.

5.2. For example, DCs in the Valley Floor catchment are increasing to \$53,003 (from \$14,779). Large increases (of \$38,224 per dwelling), will make developers relook at the feasibility of their projects and consider either pausing or halting projects altogether.

5.3. Increased development contribution fees across Lower Hutt, particularly in the Valley Floor catchment, will likely result in the following outcomes:

- Additional costs being passed onto the eventual buyer or occupier, making housing and occupancy costs more expensive; and/or
- Planned developments being postponed, re-evaluated, or cancelled, due to increased costs reducing the overall affordability of the development or project; and
- Greater development of standalone housing reducing the delivery of more affordable housing.

Impact on business and employment

5.4. Property Council's Property Impact report¹, shows that the property sector provides employment for 20,640 Wellington residents. A portion of these workers will be employed and/or live in Lower Hutt. Having a development contribution policy that may make development unfeasible will have direct implications for employment, with numerous flow-on effects to the multitude of professional services and sub-contractors (such as plumbers or electricians) that work on new developments.

5.5. *Impact on housing typology in Lower Hutt*

5.6. High development contribution fees will impact housing typologies. There is a tipping point where developers cannot feasibly provide town houses or apartments at any level of affordability, forcing greater development of standalone housing and reducing the

¹ [Property Industry Impact Report 2021](#), Property Council New Zealand.

delivery of affordable housing across Lower Hutt. This will lead to greater housing supply challenges.

6. Alternative funding solutions to development contributions

6.1. Alternative funding solutions

6.2. Property Council advocates for all local authorities throughout New Zealand to investigate alternative funding methods. We support the use of transparent, user-pays funding models for local government. Examples of these models include targeted rates, user-pays and special purpose vehicles.

6.3. The alternative funding tools mentioned above, 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.

Special Purpose Vehicles

6.4. Special Purpose Vehicles (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.

6.5. 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. We recommend the Council investigate projects that could unlock a Special Purpose Vehicle funding model.

Role of central government

6.6. 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.

6.7. 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).

6.8. Having greater financial support and investment from central government will drive improved infrastructure outcomes across Lower Hutt. This will help unlock Lower Hutt as an exciting place to live, work, play and shop, as well an attractive destination for investment and development. Property Council recommends that the Council pursue a city and regional deal for Lower Hutt.

7. Options for funding growth infrastructure

- 7.1. Property Council supports Option 2 in which part of the Council's growth-related capital expenditure would be funded through development contributions and financial contributions, and the remainder from another funding source, such as rates. The property sector is not opposed to paying its fair share of development contribution costs. One of our major concerns is that we have seen DCs be poorly implemented and in some cases are being used in part to unfairly plug funding gaps.
- 7.2. Implementing Option 2 will see less cost fall on developers, ultimately increasing the feasibility of projects in the pipeline, and more affordable housing for residents across Lower Hutt.

8. Conclusion

- 8.1. While we understand the challenging economic environment facing Council, it is a challenge that the private sector is also facing. We are concerned that some of the Council's proposals, including the significant increases to development contributions, will not see the development community in Lower Hutt thrive.
- 8.2. 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 Hutt City Council's 10 Year Plan 2024-2034. 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 or cell: 0210459871.

Yours Sincerely,



Gerard Earl

Wellington Committee Chair

Property Council New Zealand