Property Council New Zealand

Property Council New Zealand

Submission on

Wellington City Council's Draft Annual Plan 2025/26

16 April 2025

For more information and further queries, please contact
Sandamali Ambepitiya Sandamali@propertynz.co.nz 0210459871

Wellington City Council's Draft Annual Plan 2025/26
Via email: feedback@wcc.govt.nz

1. Summary

1.1 Property Council New Zealand Wellington Regional Committee ("Property Council") welcomes the opportunity to provide feedback on Wellington City Council's Draft Annual Plan 2025/26.

2. Recommendations

2.1 At a high level, we recommend that Wellington City Council:

- Review and reduce the operational expenditure (currently sitting $48.5m higher than forecasted in the Long Term Plan);
- 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;
- Provide Property Council with comparative data of Wellington City Council's business differential versus other major New Zealand cities;
- Investigate a Regional Deal with Central Government;
- Remove the vacant site differential;
- Provide the commercial sector with evidence that demonstrates how Council's spending will reflect the increased rates split of 48% commercial and 52% residential;
- Provide Property Council with clarification on whether the proposed increases to consent fees places Wellington out of alignment with comparable authorities across New Zealand; and
- Adopt Option One under the Local Water Done Well proposals: a new multi-Council-owned water organisation (CCO).

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. There are around $223.6 billion in property assets across Wellington, with property providing a direct contribution to GDP of $3.6 billion and employment for 24,820 Wellington residents.

3.4. We connect property professionals and represent the interests of 139 Wellington based member companies across the private, public and charitable sectors.

3.5. This document provides Property Council's feedback on Wellington City Council's Draft Annual Plan 2025/26. Comments and recommendations are provided on issues relevant to Property Council's members.

4. Rates

4.1. Wellington City Council plans to collect a total of $629 million in rates, proposing a 12.2% increase for the 2025/26 year. This is slightly below the 12.8% forecasted for the year in the 2024 -34 Long-term Plan.

4.2. It is concerning to see that operational expenditure for 2025/26 is projected to be $48.5 million higher than forecasted for Year 2 of the Long-Term Plan. It is important to ensure that local authorities are operating efficiently and implement accurate forecasting to avoid unexpected costs for ratepayers. Such discrepancies undermine confidence in Wellington City Council's ability to manage finances effectively, creating uncertainty for both ratepayers and businesses. Wellington City Council needs to review and more accurately forecast operational expenditure.

Cumulative rates and increases in Wellington

4.3. It is no secret that Wellington is one of the most expensive cities to do business in New Zealand. We are concerned about the cumulative costs imposed on businesses and developers in Wellington, especially those that are ongoing and not one-off costs. This could lead to the decline of numerous businesses and does not promote Wellington as a place to invest and develop.

4.4. The below list is an example of some proposed costs, increases and fees in Wellington:

- Wellington City Council's proposed rates increase of 12.2%;
- 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 1.4% (which will be in addition to the rates increase for 2025/26); and
- Wellington City Council's vacant site differential of 5:1.

4.5. All these various proposals are creating an uncertain and challenging environment for the commercial sector in Wellington. Given the cumulative impact of rates and ongoing increases in Wellington, we urge Wellington City Council to provide Property Council with a clear comparison with rating levels in other major New Zealand cities. In light of escalating insurance costs and broader economic pressures, it is essential to understand what competitive advantages Wellington offers to attract and retain investment and business activity over other metropolitan centres.

Flow on effects for Wellington businesses, residents and visitors

4.6. 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.

4.7. 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.

Alternative funding

4.8. 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 models and Special Purpose Vehicles. 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[1].

5. Regional Deals

5.1. It is a shame that Wellington City Council did not make an application for a Regional Deal with Central Government. 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 as an attractive destination for investment and development.

6. Business differential and vacant site differential

Business differential

6.1. Although the business differential will remain unchanged in the proposed Annual Plan, Property Council is increasingly concerned that the property sector's concerns are being overlooked. 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. It is deeply troubling that these concerns, raised time and again, appear to be falling on deaf ears.

6.2. Wellington City Council has proposed raising the commercial general rates share from 44% to 48%, driven mainly by the increased value of its own utilities. While Wellington City Council has reassured the commercial sector that this will not result in higher rates for other businesses, we seek clarity on how this shift will be reflected in Council spending. Specifically, what services or benefits will the commercial sector receive in return for contributing a greater share of general rates?

6.3. We recommend that Wellington City Council decrease the business differential 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.

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

Vacant Site Differential

6.4. Property Council's position on the vacant site differential also remains unchanged. 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. We continue to urge Wellington City 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. 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 retaining the vacant site differential will not provide the reassurance the commercial sector needs. We recommend this be removed.

7. Changes to fees and user charges

7.1. Wellington City Council is proposing fee increases above inflation in certain areas due to changes to existing Council policies and raising costs for service provisions. This includes consent fees. Although this is a partially refundable fee, we would appreciate clarification on this to ensure that the proposed increases do not place Wellington out of alignment with comparable authorities across New Zealand.

8. Local Water Done Well

8.1. As part of Local Water Done Well, the Government has mandated that councils review how their water services are delivered. From the options proposed by Wellington City Council, Property Council supports **Option One: a new multi-Council-owned water organisation (CCO).**

8.2. We support the establishment of a CCO between Wellington City Council and surrounding councils. The establishment of a CCO to manage water services will allow for improved governance and a more strategic approach to decision-making and asset management.

8.3. Councils across New Zealand have historic underinvestment in infrastructure, resulting in today's funding and financing challenges. The establishment of a CCO would allow a separate balance sheet to borrow the money needed for infrastructure upgrades and spread it more fairly over generations. Furthermore, international separate water entities have delivered cost savings to communities' overtime.

8.4. The establishment of a CCO will also create more efficiencies through specialised expertise. Given the complexity and capital intensity of three waters networks scale, it is important to make best use of technical expertise, help in negotiating better contracts through improved purchasing power, and to control and manage rising costs. A CCO would have access to a wider range of specialised expertise and provide the necessary input required. We also support having an integrated approach to water services, with the CCO managing all three waters – drinking water, wastewater and stormwater.

Local Government Funding Agency

8.5. The Local Government Funding Agency (LGFA) has said it will provide financing to support water CCOs established under the Government's Local Water Done Well initiative and will assist high growth councils. According to the National Policy Statement on Urban Development, Wellington City Council is a Tier 1 Council, making it a high growth council. Having access to additional funding will mean that the council can also undertake non-water projects to the support the city. We think this incentive has merit.

9. Conclusion

9.1. Property Council advocates for the creation of a well-designed, functional and sustainable built environment. We remain concerned about the growing financial burden placed on businesses and developers in Wellington and we continue to oppose the business differential and vacant site differential. Instead, we urge the Council to investigate alternative funding mechanisms. We support the establishment of a CCO between Wellington City Council and surrounding councils. Efficient and effective drinking water, wastewater and stormwater systems and management are crucial to liveable and prosperous cities and towns.

9.2. Property Council members invest, own, and develop property in Wellington. We wish to thank Wellington City Council for the opportunity to submit on Wellington City Council's Draft Annual Plan 2025/26 as 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.**

9.3. Any further enquires do not hesitate to contact Sandamali Ambepitiya, Advocacy Advisor, via email: sandamali@propertynz.co.nz or cell: 0210459871.

Yours Sincerely,

MMcGhie

Melissa McGhie
Wellington Regional Committee Chair
Property Council New Zealand