

**SUBMISSION ON THE TAURANGA CITY COUNCIL LONG TERM PLAN AND
DEVELOPMENT CONTRIBUTIONS POLICY 2021-2031**

TO: Tauranga City Council

SUBMISSION ON: Tauranga City Long Term Plan and Development Contributions Policy

SUBMITTER: URBAN TASKFORCE FOR TAURANGA LTD (“**UTF**”)
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1. The Urban Taskforce for Tauranga appreciates the opportunity to make this submission to the Tauranga City Council’s draft Long Term Plan (LTP) and to provide comments and recommendations on the proposed LTP.
2. The Urban Task Force (“UTF”) has been incorporated as a society with its purpose being to represent its members who are property professionals and funders, developers, Iwi and Hapu, and owners and managers of properties in Tauranga City. The UTF seeks to provide strong and informed leadership to Local Authorities, promote and foster productive local networks around property and related issues, and to advocate for our industry by making submissions to both Central and Local Government.
3. Tauranga is a growing city. Our community is facing unprecedented challenges because leaders have seen growth as a problem rather than an opportunity. The intent of UTF is to focus on the opportunities presented by growth and to unlock these opportunities by working collaboratively and innovatively across Government, Local Government, and private sectors.
4. Tauranga has a severe shortage of zoned and serviced land to provide new homes for residents, and spaces for business to invest in. This has caused severe housing affordability issues. Tauranga City has an urgent need for required infrastructure and more affordable housing. Poor growth management has led to a failing City Centre, a lack of essential community infrastructure and facilities, and a lack of investment in utilities infrastructure necessary to support growth. The UTF advocates for connected thinking, connected planning, connected governments and strong leadership.
5. The UTF submission is in response to the Council’s consultation document and supporting documents. Having reviewed these documents, our membership and executive have provided feedback and comments on the draft LTP which we have adopted as recommendations in this submission.

General

6. We appreciate that the Commissioners have difficult decisions to make in relation to the LTP, with Tauranga suffering from significant under investment, continued population growth, and a long-standing continued lack of social infrastructure. We agree that Tauranga needs significant capital investment over the next 10 years, and

this includes investment not only from central and local government, but also the private sector. It is therefore important to ensure that decisions made through the LTP process are robust, reasonable, and resilient but at the same time are bold and enduring. In terms of this latter matter, many decisions have been made through consecutive LTP's, which have subsequently been amended, repealed, or significantly changed. This is one of the reasons why under investment in terms of both physical infrastructure and social infrastructure has suffered in this city.

Capital Expenditure

7. UTF support the Council's proposed \$4.6 billion capital projects expenditure over the next ten years. We support the core infrastructure expenditure proposed, which is essential for growth. We note that the Te Papa and Cameron Road upgrades and Waiari water treatment plants are necessary and essential to facilitate growth.

City Centre Investment

8. Recently Council has confirmed that its new office building will proceed in the CBD. Although our members do not collectively agree that the location of this building is the correct one, we are pleased that a decision has been made and that longstanding inaction in relation to a new office has ceased. The City Centre is significantly depressed with large numbers of vacant tenancies and a general level of business activity which can only be described as 'sick'. UTF support the \$126 million which is proposed to assist with revitalising the CBD, however we consider that this is not sufficient. Most of this expenditure was already budgeted in the 2018 LTP (including streetscape works, new central library and the Council's administration building). The \$126 million equates to only \$12.6 million a year over the life of the LTP. Our concern is that this is not going to change the dial on the struggling City Centre, and a much more ambitious program of CBD revitalisation is required and needs to be supported by the Council. For example, as a city, we do not have a museum, nor do we have a sports stadium, or international hotel/conference facility, not a properly planned and activated waterfront with commercial components for hospitality and recreation. We consider that these further facilities along with a performance venue which can hold more than 550 people should be a priority for the Council. Such investment will trigger further private investment in the CBD. This further private investment is unlikely to happen and will be directed to other cities without a further capital expenditure commitment from Council. The LTP falls short in this regard and as a consequence our fear is that business activity in the CBD will be further eroded over the next 10 years unless there is change.

City Centre Development Incentives

9. The Council should consider adopting incentives for immediate and short term investment in development in the CBD. Examples of this exist in Christchurch and Hamilton City where remissions in the CBD occurred as part of the Developments Contribution Policy. In Christchurch this incentivised development post-earthquake and in Hamilton a number of developers confirmed that the DC remission provided a significant incentive. Had these remissions not been in place, developments would most likely not have proceeded. UTF are aware of a number of significant projects in the CBD which are planned and which have been granted resource consents, but which are currently stalled, awaiting confirmation of Council's investments strategy for the CBD. Council should consider a remissions policy for Development Contributions for a period of 3 year to kick-start growth and development in the CBD.

Differential Rates

10. We do not support the increase in commercial differential rates from 1.2 to 1.6. Such a move will further depress business activity in the City and in the CBD in particular. This will act to work against the revitalisation of the CBD and will both discourage private investment and will put further financial pressure on commercial businesses which are already suffering as a result of the impact of Covid-19 and the current poor state of the CBD.

Development Contributions Policy (General)

11. The Draft Development Contributions (DC) Policy, like those before it, is based on the philosophy of growth pays for growth. We have concerns with this approach as clearly in the context of infrastructure funding it has not worked through successive DC policies. In addition, we consider that the approach through DC funded infrastructure does not always capture the most efficient or cost-effective response from the market. Council should consider alternatives such as through a direct recovery from community infrastructure, targeted rates which apply over the life of the infrastructure, or SPVs, or through PPPs. Such alternatives are fairer in terms of intergenerational equity by ensuring that those benefit from the infrastructure concerned pay. The use of DCs simply increases the cost of land development and therefore housing affordability as the costs are passed on to house purchases.

Citywide Development Contributions

12. The Citywide Development Contributions are proposed to increase to \$28,150 from the current level of \$12,200. Based on our review of the LTP most of this increase appears to be associated with funding the Waiari Water Scheme. This is a significant increase, and it is unclear how this increase has been calculated considering the \$158 million of ten-year interest free loans which were provided to Tauranga City Council by the Ministry of Housing and Urban Development in 2018 to fund both the Te Maunga Wastewater Treatment Plant and Waiari Water Treatment Plant.
13. The significant increase in Citywide Development Contributions will be passed on by developers to residential purchasers. The level of change is unprecedented (a 230% increase) and we understand that the new Citywide DCs will apply from 1st August 2021. Currently there are a number of subdivision projects that are close to completion and this significant change will affect their financial viability. Many of the developers and house builders have already on-sold house and land packages and are simply awaiting titles from Council for the new lots. It is both unreasonable and unrealistic to expect developers to absorb this 230% increase in cost. From a contractual point of view the cost will not be able to be passed on to purchasers on dwellings where pre-title contracts are in place. Essentially this means that unless there is an alternative proposed, approximately \$16,000 of unbudgeted cost would need to be borne by the builder/developer for each dwelling. We seek that the Citywide DC increases be deferred for a period of 12 months to allow the necessary time for new subdivision titles to be issued/dwellings to be granted building consents.

Fees and Charges

14. The UTF generally supports a user pays fees and charges regime. For example, the UTF would support TCC charging for pre-lodgment application meetings, provided however the levels of service improve with this. Staff who attend such pre-application meetings would need to have seniority, the ability to make decisions, and must be well versed on the application and concept drawings. Value must be added, and minutes must be issued.

Alternative Funding

15. UTF would support the Council's intention to consider alternative income tools. These include user charges, PPPs and SPVs. SPVs may be useful for the Council's balance sheet in situations where they are approaching debt limits. In terms of delivery of infrastructure, we do not consider that the approach of Council simply employing more staff and managing projects within the Council's existing structure is an appropriate response. The Council has a consistent track record of not being able to deliver projects on time and within budgets. Consideration of alternative delivery mechanisms are required, such as an SPV, which can be formed for significant infrastructure projects. SPVs can be assigned targets/performance incentives to get infrastructure built both on time and within budget. In relation to the delivery of infrastructure and in obtaining professional services the Councils procurement policy must be amended to encourage the use of local businesses, contractors, and service providers in order to support and grow the Tauranga economy.

Public Transport

16. Whilst generally we support the Council's priority to deliver increased levels of public transport and a decrease in car dependency, public transport options must be reliable, frequent, and convenient. Further work is required to consider better well-connected public transport throughout the city, and the nature of this (for example, smaller and more frequent buses).

Natural Hazards and Resilience

17. The Council is proposing to invest \$296 million over 10 years on natural hazard resilience. UTF made a strong submission on Plan Change 27 (flooding from rainfall events). In our submission we were highly critical of the plan change and in particular the flood modelling which forms the basis for decision making and significant public investment. Implications of inaccurate modelling have meant that flood modelling data both cannot be relied upon and creates significant uncertainty. Further modelling and work is required to ensure that Council's response to natural hazards (particularly flooding from rainfall events) is appropriate.

Targeted Rates

18. We strongly support the use of targeted rates where these are user fees for city assets specific to the needs of the community who utilise both amenities and infrastructure. On page 31 of the consultation document, it is proposed that approximately \$1.5 billion of the \$4.6 billion (34%) is to be funded from targeted rates. However, it is not clear where the \$1.5 billion will come from, or how it will be collected as targeted rates over the next 10 years. Further information on where these user charges will fall, what these targeted rates will pay for and how and when

they will be collected by Council is required. It is unclear how initial funding of capital works based on targeted rates will work.

Decision sought

19. The decision UTF seeks from Council is that the above matters be taken into account in their deliberations and decision making on the ten-year plan and that amendments be made to address the concerns which we have set out above.

20. UTF wishes to be heard in support of our submission and intends to expand further on the matters raised above.

SCOTT ADAMS
CHAIRMAN

Date: 1 June 2021