

**SUBMISSION ON THE TAURANGA CITY COUNCIL LONG TERM PLAN AMENDMENT,
ANNUAL PLAN AND DEVELOPMENT CONTRIBUTIONS POLICY 2022-2023**

TO: Tauranga City Council

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

SUBMITTER: URBAN TASK FORCE FOR TAURANGA LTD (“UTF”)
PO Box 2034 Tauranga
Attention: Vicky Williamson
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1. The Urban Task Force for Tauranga (“UTF”) appreciates the opportunity to make this submission to the Tauranga City Council’s Draft Long Term Plan Amendment (LTP), Annual Plan and Development Contributions Policy 2022-2023.
2. The 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 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 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 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 planning, connected thinking, connected governments and strong leadership.
5. The UTF submission is in response to the Council’s draft amendment and supporting documents. Having reviewed these documents, our membership and executive have provided feedback and comments on the draft which we have adopted as recommendations in this submission.

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General

6. We appreciate that the Commissioners have had difficult decisions to make in relation to investment and the LTP, with Tauranga suffering from significant under investment, the demands of growth, and a long-standing continued lack of social infrastructure. In our previous submission to the 2021 – 2022 LTP, the UTF highlighted 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 are reasonable and robust by being made on the basis of sound and certain information. Decisions must also facilitate private sector investment and continued growth. In terms of this latter point, 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.

Amendment to Long Term Plan City Centre Investment

7. The UTF agrees that our City needs and deserves a heart that we can all be proud of. In our submission to the Tauranga City Council Long Term Plan and Development Contributions Policy 2021-2031, we supported the \$126 million proposed to assist with revitalising the CBD. Our concern at the time was that \$126 million equated to only \$12.6 million a year over the life of the LTP. This was not going to change the 'dial' on the struggling City Centre. We are therefore pleased to support a much more ambitious program of CBD revitalisation by the Council, and agree that as a City we need a museum, a sports stadium, international hotel/conference facilities, a planned and activated waterfront (with commercial components) and further facilities and amenities including a performance and entertainment venue which is fit for purpose.

The Civic Precinct Masterplan – Te Manawataki o Te Papa proposes two options. The UTF support option 1, being the \$303 million option with approximately \$150 million of this contribution sourced from government grants and the potential sale of non-core Council assets. The UTF supports this option because it would result in the development of a performance venue centre, an activated waterfront reserve, and significant streetscape upgrades.

8. Such investment will trigger further private investment and confidence in the future of the CBD. Unless significant revitalisation, occurs, business activity in the CBD will continue to be eroded.
9. In relation to the 50/50 funding model for Option 1, the potential sale of non-core Council assets is identified. Further transparency in relation to the nature of these assets needs to be provided. A number of non-core assets are in our view more likely to be efficiently utilised and developed by the private sector including developments such as the TCC marine precinct at Sulphur Point and current carparking buildings. Further engagement and transparency around these initiatives would be appreciated by UTF and its members.

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10. The form of upgrade of Baycourt must ensure that it is a modern fit for purpose facility. Details around further assets such as the Civic Wharf and new wharf proposed are also needed as currently these are a “vision” rather than costed feasible projects. They must be supported by a sound business case.
11. The UTF would support the use of a single-phase staged development approach for Te Manawataki o Te Papa in the Civic precinct.

Use of Infrastructure, Funding and Finance Act

12. The UTF supports the Council’s intention to consider using alternative methods to fund infrastructure. These include the use of the creation of two SPV’s under the Infrastructure, Funding and Finance Act (IFF). We understand the proposal is to utilise an SPV funding model to fund infrastructure for Tauriko West Urban Growth Area and to also fund a series of transport improvement projects. SPV’s may be useful for the Council’s balance sheet where Council is approaching debt limits such as for the funding of Tauriko infrastructure and transportation improvement projects. SPV’s can be formed for significant infrastructure projects and can be assigned targets/performance initiatives to deliver infrastructure on time and within budget.
13. The SPV funding model around infrastructure has the potential to improve intergenerational equity by more fairly apportioning the cost of infrastructure over time. The cost must however be sustainable for future generations. In this regard in examples where SPV’s have been successfully applied (such as the Milldale SPV developed by Auckland Council) have set a sustainable level of payment based on significant analysis. For Tauriko, the level of infrastructure payment is approximately 2 - 2.5 times that which was applied to the Milldale example. We consider that the level of the repayment levies at \$2000 - \$2,500 per dwelling may prove to be unaffordable. The number of households expected to contribute an annual adjustment rate will also need to be confirmed
14. As the basis for the IFF option is to free up \$60 million off Council’s balance sheet for the purposes of enabling debt capacity for other projects, the UTF are concerned that this would commit Council to proceeding with IFF funding even if the terms and feasibility is found to be unfavorable. This results in a significant and unacceptable risk to developers. It is the UTF’s view that the need to provide assurance of “viability” before Council allocates debt capacity to other projects is crucial before Council progresses further with the IFF process. An SPV could be an effective mechanism to fund Tauriko infrastructure however it is important that the quantum of infrastructure costs be set at an acceptable and feasible level.
15. The success of the Tauriko West Growth Area is critical to Tauranga meeting its residential development capacity requirements as set out under the NPS-UD, therefore a more significant contribution to infrastructure is also required from Central Government if the requirement of the NPS-UD are to be met.

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16. The UTF supports the proposed intent to apply for the establishment of an SPV to fund the transport system plan, and also the offsetting of the cost of the SPV levy with reduced targeted rates which will act to reduce the overall cost of new infrastructure to rate payers. In terms of the delivery of infrastructure, we do not consider that the approach of Council simply employing more staff and managing projects within the existing Council structure is an appropriate response. Council has a long standing consistent track record of not delivering projects on time and within budget, and the use of SPV's can be assigned targets/performance incentives to ensure that infrastructure is built on time and within budget.

Citywide Development Contributions

17. 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, as noted earlier in our submission. 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.
18. The Citywide Development Contributions are proposed to increase by 15%.
19. The increase in Citywide Development Contributions will be passed on by developers to residential purchasers. The recent level of change to DC's is unprecedented. We seek that further 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. The building sector is under significant financial strain due to Covid 19, material costs, labor supply and other current considerations. Increasing DC costs will only worsen the current Tauranga housing affordability crisis.

Transport Rate Differential

20. The UTF opposes the proposed targeted transport rate differential which is proposing to increase the contribution from the commercial sector to almost 50% of transport rates over the next two years. The draft plan suggests that commercial and industrial users comprise 52% of vehicle trips on the transport network. This appears to be used as the justification for an increase. Many of Tauranga's local roads in fact carry very low rates of commercial vehicles, with commercial vehicle use occurring mainly on strategic roads, i.e. collectors, and arterials. The UTF strongly disagree with this justification. Commercial business activities provide significant employment opportunities, goods and services, and enable significant industries to operate and invest within the city. The significant increases proposed will act as a disincentive to

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business in general, which on top of recent Covid related effects and the depressed nature of the commercial business sector, will further hamper investment and redevelopment.

The effects may be far reaching. Such costs may be passed on to the consumers of goods and services as part of the cost of doing business in Tauranga. The impact may extend to businesses deciding to relocate to other centres. We ask that TCC does not proceed with the rating differential proposed.

Commercial Rate Differential

21. Further proposed increases in the commercial rate differential was opposed by the UTF in their submission on the Long-Term Plan. This is further proposed to be increased by 24% across the sector. Such an increase will depress business activity in the city and will work against the revitalisation that the Council is encouraging, such as in the CBD. The increase will put further financial pressure on commercial businesses which are already because of the impact of Covid-19, the current low rate of CBD tenancies, current interest rate rises and increased costs because of inflationary pressure. Further rates costs on top of these compounding factors will have a serious negative impact on the commercial sector.

Decision sought

22. The decision the UTF seeks from Council is that the above matters be considered in their deliberations and decision and that amendments be made to address the concerns which we have set out above.
23. The UTF wishes to be heard in support of our submission and intends to expand further on the matters raised above.

SCOTT ADAMS
CHAIRMAN

Date: 25 April 2022

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