

**SUBMISSION ON THE TAURANGA CITY COUNCIL LONG TERM PLAN (LTP) 2024-2034,
ANNUAL PLAN AND DEVELOPMENT CONTRIBUTIONS POLICY**

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
Email: vicky.williamson@urbantaskforce.co.nz

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 (LTP), Annual Plan 2024-2034, the Annual Plan and the Development Contributions policy.
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. 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 an urgent need for required infrastructure and affordable housing. Poor growth management has led to 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 LTP, Annual Plan and Development Contributions Policy and supporting documents. Having reviewed these, our membership and Executive have provided feedback and comments on the drafts 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 LTP. In our previous submission to the 2022-2023 LTP, the UTF highlighted that Tauranga needs significant capital investment and this includes investment not only from central and local government, but also the private sector.
7. It is important to ensure that decisions are reasonable and robust based on sound and certain information. Decisions must also facilitate private section 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 the City. At the same time, there is significant "belt tightening" occurring in the community and we would therefore expect Council expenditure to be based on more prudent decision making.

Amendment to Long Term Plan City Centre Investment

8. The UTF agrees that our City needs and deserves a heart that we can all be proud of. In our previous submissions to Tauranga City Councils LTP, the UTF supported the Council's commitment and plan to assist with revitalising Tauranga's CBD on the basis that this would change the 'dial' on the struggling City Centre. We continue to support the Council's ambitious program of CBD revitalisation and agree that as a City we need a sports stadium, international hotel/conference facilities, an activated waterfront (with commercial components) and further facilities and amenities including a performance and entertainment venue which are fit for purpose.

In terms of the Civic Precinct Masterplan – Te Manawataki o Te Papa, the UTF support the \$303 million of investment. The UTF supports this option because it would result in the development of a museum, civic and community hub, an activated waterfront reserve, and significant streetscape upgrades.

9. This investment will compliment further private investment currently underway and will boost confidence in the future of the CBD. However, we note the circa \$33 million identified for the fitout cost of the new Council offices must be reviewed and rationalised. Given the Council's duty around fiscal responsibility, we consider that these fitout costs are unwarranted for a Council office building and significantly exceed that of other recent office developments in the CBD.
10. In relation to the \$151.5 million of funding, 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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11. The proposed cost sharing model for the Tauranga/Wharepai Stadium requires further consideration and analysis. There are a number of risks and issues identified in relation to the stadium and a further and final business case is required before a decision should be made on whether the stadium proceeds. Of concern is the information operating costs are not yet available for consideration, and that the \$35 million of external funding is a high-level estimate which requires confirmation. The majority of the funding needed for the stadium is allocated to rates funded loans. The UTFs preference is that the majority of funding is obtained from other external sources and not rates funded loans. For this reason we support Option 2B with a deferred start date and further time to seek alternative funding sources. The impact of Plan Change 33 (27m high residential development fronting along the Cameron Road corridor) also needs to be factored into the decision-making process, given the potential for reverse sensitivity effects from residential development in close proximity to stadiums, as has been experienced elsewhere in New Zealand (i.e. Eden Park).
12. The UTF would at this stage support the use of a single-phase staged construction with deferred start date under Option 2B for Te Manawataki o Te Papa in the Civic precinct.

City Centre Development Incentives

13. The UTF supports the Council adopting incentives for immediate and short-term investment and development in the CBD via development contribution reductions/waivers. Examples of this approach exist in Christchurch and Hamilton City where remissions in the CBD occurred as part of the Development Contributions Policy. In Christchurch this incentivised development post-earthquake, and in Hamilton a number of developers confirmed that the DC remission provided a significant incentive for investment. UTF are aware of several significant projects in the CBD which are planned, and which have been granted resource consents, but which are currently stalled. The Council should consider a remissions policy for development contributions for a period of 3 years to help kickstart further investment in buildings and development in the CBD.

Use of alternative finding options

14. We support the use of SPV funding models around infrastructure which 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) Councils have set a sustainable level of payment based on significant analysis. For Tauriko, the level of infrastructure payment is approximately 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.

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15. The UTF supports the use of targeted rates which are proposed for the future Te Tumu Urban Growth Area.

Option 1 is preferred but UTF consider that it would be useful to get more transparency on what the PEI is costing as the HIF fund was being used by Waka Kotahi for construction, and they were considering tolling the section of TEL between the PEI and Domain Rd.

16. Increased Council engagement with the Crown on the Crowns planned role in infrastructure funding would be beneficial for the City. The approach of investing GST revenue from new house sales in new urban growth areas needs to be explored with the Government. The ability to recycle tax revenue into new and upgraded infrastructure back into the regions the GST revenue came from has significant merit, and will result in more tax revenue streams, an increase in Local Government rates collection, and ultimately more affordable housing supply in the long term.

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 above. These 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%. The increase in Citywide Development Contributions will be passed on by developers to residential purchasers. Recent levels of change to DC's have been unprecedented. Given the current economic downturn, the building sector is under significant financial strain. Increasing DC costs will impact on the sector and will only worsen the current Tauranga housing affordability crisis. The UTF does support the proposed changes to Retirement Village DCs and also 4-bedroom houses on the basis that these changes are based on actual demand on infrastructure.

Industrial Rate Differential

19. The UTF opposes the approach to an increased rating differential for industrial and employment land. We consider that the proposal to increase and separate the industrial rating from commercial properties will lead to inequitable and unfair outcomes across the rating base and that this is not supported by sound technical assessment. We therefore support Option 2 (we do not support a new industrial rating category).

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20. We disagree that industrial properties have a disproportionately greater impact on infrastructure such as water, wastewater, and roading. Currently, all commercial and industrial businesses contribute funding towards transportation and roading by transport levies and/or road tolls. Industrial properties predominantly use infrastructure funded and maintained by central government, particularly for truck movements i.e. state highways. There is a lack of any transportation analysis to justify the additional rates, for example traffic assessment, demand on water, and demand on wastewater infrastructure. Such an approach has not been adopted elsewhere in New Zealand and carries a significant risk of forcing businesses out of the subregion. We note that this is already occurring because of a failure to zone adequate employment land. This deficit of zoned employment land is likely to continue in the short and medium term under existing SmartGrowth projections.
21. It is unclear where the funds raised through the increase in differential rates will be spent. Transparency is required to justify the introduction of differential rates and there appears to be no nexus between the level of service provided and the changes proposed.
22. The cumulative impact of the increase of rating differentials on the future vitality and growth of local businesses is likely to be dramatic. Given current economic circumstances including land supply and land cost, rising building costs, rising inflation, high interest rates, and the cost of labour, these considerations will all act to make Tauranga an undesirable place to invest in and to undertake new and innovative business activities. The likely outcome is that businesses will relocate to other regions such as the Waikato which offers a lower cost structure and provide a range of incentives for businesses to establish and operate.

TCC Resourcing

23. As noted in 9. above the Council needs to be mindful of excessive spending given the current economic conditions and a slowdown in citywide growth over the last 3 years.
24. Over the last 5 years there has been a substantial increase in staff numbers. This expansion has led in many cases to the creation of further bureaucracy and the creation of “red tape” rather than efficiencies and increased productivity.
25. As a result of significant growth in employees, the Councils level of service/outputs has actually diminished over time. For example, the delivery of infrastructure has not increased, the two further urban growth areas (planned over a significant period) have still not proceeded to the point of plan changes. Projects such as the Cameron road upgrade have been poorly managed, and projects such as the flood mapping and natural hazard mapping have been found to be deficient and poorly executed. Plan Changes for urban growth areas such as Te Tumu and Tauriko West need to be fast tracked and must be notified in 2024 (and not the first quarter of 2026).

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26. The use of rate increases to fund increasing staff costs is unsustainable. In a manner similar to Central Government, TCC needs to review and rationalise staff numbers which should be capped. TCC as an organisation needs to develop a performance & results based culture which is more efficient and effective in terms of its “delivery” of services to the community.

Decision sought

27. 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.
28. 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: 15 December 2023

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