28 March 2022

HEART OF THE CITY'S SUBMISSION TO AUCKLAND COUNCIL ANNUAL BUDGET 2022/2023

By email to:
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Introduction

Heart of the City (HOTC) is the business association for Auckland's city centre, representing the interests of businesses and property owners. We are committed to the growth and success of the city centre as a vibrant, accessible, safe and welcoming urban community.

The focus for our submission includes a response to the key questions asked by Council as well a request to support initiatives to support city centre recovery.

This Submission will cover:

(1) The impact of COVID-19 and Supporting City Centre Recovery
(2) Climate Action Targeted Rate
(3) Budget Pressures and Service Prioritisation
(4) Waste Service Standardisation
(5) Rating Policy Proposals
(6) Regional Fuel Tax underspend
(7) Vacant Land

(1) The impact of the COVID-19 & Supporting City Centre Recovery

The city centre delivers nearly 20% of Auckland's GDP and employs 15% of its workforce (as of February 2020). It has been disproportionately and severely impacted by COVID-19, with many of our businesses now facing the worst situation in the period of the pandemic. Revenue has been severely down in comparison to the rest of the region for the duration of the pandemic. Whilst this should have improved by the time this Annual Budget is introduced, the significant economic scarring that has occurred will mean it will take some time for businesses and the city centre to recover.

This presents a risk to the city centre and the benefits expected from the significant public and private sector investment at least in the short term if there is not adequate investment to support its recovery.

We are also facing significant challenges around antisocial behaviour and crime. And outside of COVID-19, access, ongoing construction and safety remain key barriers to visitation. It is also imperative that good cleaning standards are maintained.

We acknowledge there have been initiatives from Auckland Council, such as the dropping of fees on outdoor dining licences and the offer of rates postponements, that have supported businesses. We ask for more focus in the Annual Budget 2022/2023 on measures Council can take to assist businesses to support recovery.

Whilst we do expect that the City Centre Targeted Rate will be able to support elements of this plan, we do not expect this will be able to cover the investment requirement to offset the significant impact that has occurred.

Melbourne, Brisbane and Sydney have all made significant investments (through Federal and State Governments) to stimulate demand and encourage visitation, now with an increasing focus towards the weekday. This includes dine and discover vouchers to large scale scavenger hunts, to transport incentives and outdoor dining initiatives. Wellington has also recently announced Pandemic Response Plan, and whilst not to the same scale that is needed in Auckland, the principle of supporting recovery is noted. This has included:

- $1 weekend parking
- free outdoor dining permits
- a significant reduction in licencing fees

The city centre needs tangible and immediate actions to support its recovery. We consider this could also be supported with the following measures.

Fees and Licences and Charges

Outdoor Dining Licencing Costs.

Waive Outdoor dining licences costs for the coming year. This is currently in place until April 2022 and has been well received by businesses. Reducing the cost to business for the next 12 month period would provide benefits for their recovery and support the city centre's vibrancy.

At minimum, we ask that the cost for City Centre Outdoor Dining Licence is reduced to be more equitable with other parts of the city. City Centre businesses pay nearly 45% more for their outdoor dining licences than their counterparts in other parts of the city such as Takapuna and Newmarket.

Investing in Safety

Issues around crime and safety are seriously impacting the City Centre. There is a growing focus on a coordinated approach to supporting safety actions in the city centre through the Task Force on Alcohol and Safety but this has not moved as fast or effectively as required. Ongoing collaboration between Auckland Council and Heart of the City with the CityWatch programme is important and must also deliver strong results for the investment.

We would like to see more investment and resource dedicated to tangible outcomes for the city centre.

Events, Activations and Incentive Schemes

As other cities have done, we would like to see investment into spending and voucher schemes to encourage visitation and spending to help drive city centre recovery.

We ask that consideration be given to supporting events to be put on easily in the city centre including waiving the cost or put in place a cost exemption scheme for city centre events permits for activity that will contribute positively to its recovery.

Transport incentives: Access remains a barrier to visitation and people are likely to be wary about returning to public transport. We would like to see transport incentives to support the return of workers, students and visitors and there is also an opportunity to leverage off major events and other occasions across the year. This could be an Auckland funded continuation of the government funded half price fares that will be place until 30 June 2022. We would also like to see weekend and evening parking offers to utilise parking capacity, along with a review of parking costs in line with AT's demand-responsive pricing strategy, which would mean parking charges are reduced when occupancy is lower than an 85% average

(2) Climate Action Targeted Rate

It is critical that Auckland's public transport system in Auckland is well connected and efficient and that there is ongoing investment in electrification to reduce emissions. We believe there needs to be a focus on improving connections across the region to the city centre given it is a significant place of employment.

We are opposed to introduce a substantial new targeted rate of 2.3% through an Annual Plan. This was not signalled through the Long-Term Plan 2021/2031 especially at a time when businesses are facing tremendous uncertainty from the ongoing pandemic, world events and inflation.

We also have additional comments about the current proposed CATR:

- Council must work to reduce, stop or reprioritise services, not simply add more cost to business.

- We do not accept that a business differential (even at 25.8%) should be applied to this targeted rate if introduced. We accept that business should contribute its share for climate action, but not through a differentiated targeted rate.

- If there are unspent funds associated with the Regional Fuel Tax that are unallocated, we would be supportive of the Property Council of New Zealand's position that should this rate be introduced that Auckland Council pursue an Order in Council that would allocate the unspent funds associated with regional fuel tax to the proposed package, which would reduce the overall cost of the proposed targeted rate to ratepayers.

(3) Budget Pressures and Service Prioritisation

Our overall feedback is that while we support the general direction taken in the Long-Term Plan 2021/2031 for an investment of $31.8 billion over the next 10 years, we ask that this investment be further prioritised.

We are concerned about the compounding effect on businesses of an increase of 3.5% in general rates, an increase of 7% in Watercare's wastewater tariffs and the proposed additional Climate Action Targeted Rate of 2.3%.

To reduce these impacts, we believe Council should focus on:

- keeping rates and charges increases to a minimum (e.g. not introduce the CATR); and
- making deeper cost savings and further prioritise services (including the services of CCOs); and then
- prioritising capital investment and defer non-priority investments;

On the proposal for a set of criteria for supporting decisions to reduce, stop or change some services, we agree with that proposal and ask it be applied urgently. In our view, any current services that don't align to agreed key priorities and don't deliver tangible value should be reviewed immediately. We also suggest criteria asking whether an activity needs be done right now or can be deferred. If it does need to be done right now, then do it once and do it right.

(4) Waste Service Standardisation

We share concerns about the high rates of waste generated per person in Auckland and agree that the Council can play a role in influencing waste reduction. We also support the goals of the Auckland Waste Management and Minimisation Plan 2018, including to minimise kerbside household waste.

We support the proposal to allow certain business properties to opt-out of Council's waste management services and charges from 1 July 2023, because the council's kerbside service is more suitable for domestic waste than dealing with the wide range and nature of business waste. We agree that charging for a service that the council cannot deliver is inequitable and that the case for maximising council's ability to influence waste behaviour is also irrelevant when the service required cannot be delivered by the council, such as to certain business properties.

(5) Rating Policy Proposals

Our overall feedback is that what businesses need most from Council is a fair, transparent and stable approach to rates. As we said above, we are concerned about the un-signalled and compounding effect on businesses of increases in rates and charges.

Business differential

While we appreciate that the business differential is being reduced to 25.8% by 2037/2038, fundamentally, we do not accept that a business differential should be applied to rates especially for reasons that "businesses are better able to manage additional costs than residential properties" or because "businesses can claim back GST and expense rates against tax." These reasons do not justify the business differential, particularly for small businesses who make up most businesses in Auckland.

Accommodation Provider Targeted Rate

As the border reopens, we believe it is critical that Council fund 'visitor attraction and events to support local businesses recover from the COVID-19 crisis. Having no funding for this in the Annual Plan 2022/2023 is short-sighted.

We also disagree with the position that a link must be made between the funding of visitor attraction/events and a specific funding mechanism (such as the Accommodation Provider Targeted Rate ('APTR')). We believe a more secure and sustainable source of funding needs to be found which takes account of views of the accommodation sector, for example through the return of GST to Auckland or a levy at the border on international visitors.

Watercare's increase in charges

To support an increase in capital investment, Watercare's board of directors resolved to increase water and wastewater tariffs by 7 per cent. This follows an increase of 7% for the current financial year. We are concerned about these substantial increases in water charges from Watercare and question whether they are a priority or reasonable.

City Centre Targeted Rate (CCTR)

We are supportive of the ongoing collection of the CCTR and the benefits this delivers to the City Centre. It is essential that transformation projects consider the needs of both business and their customer and supplier needs. Given the ongoing impacts on the city centre due to the lack of customers, Auckland Council must take a leadership *position* by encouraging offices workers back to the city centre.

(6) Regional Fuel Tax underspend

Our preference is to introduce initiatives that both manage demand and raise funding equitably as soon as possible, balanced with investment into affordable and more frequent public transport in order to effect sustainable behavioural change. We understand, for example, that technical work on the 'Congestion Question' project that has been examining the potential to apply congestion charging in Auckland is progressing.

Conclusions

As we enter another very uncertain year, especially for small and medium sized businesses, we ask the Council to consider carefully their needs in its approach to the Annual Budget 2022/2023 and provide more focus on growing the economy and supporting local businesses.

-ENDS-

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