Submission
by

THE NEW ZEALAND INITIATIVE

to Wellington City Council

on the

Rating Policies Review
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1. INTRODUCTION AND SUMMARY

1.1 This submission on Wellington City Council's Rating Policies Review is made by The New Zealand Initiative (The Initiative), a Wellington-based think tank supported primarily by major New Zealand businesses.

1.2 The Initiative undertakes research that contributes to the development of sound public policies in New Zealand, advocating for a competitive, open, and dynamic economy and a free, prosperous, fair, and cohesive society.

1.3 The Initiative's members span the breadth of the New Zealand economy. The views expressed in this submission are those of the author rather than the Initiative's members. The author is a Wellington City residential ratepayer; the package recommended here would increase the share of rates paid by residential properties.

1.4 We support moving Wellington's general rates from capital value to land value. Council should assess that change together with a substantial reduction in the commercial differential and a modest, justified uniform annual general charge per separately used or inhabited part of a rating unit (SUIP). The principled benchmark is a common general-rate multiplier of 1:1, with additional charges tied to identifiable services or benefits and, for discretionary local services and major projects, backed by a ballot of benefitted and levied properties. The Initiative's submission on Wellington's 2022 Draft Economic Wellbeing Strategy identified the high business differential and obstacles to housing and investment as problems Council needed to address.[1]

1.5 We recommend that Council:

(a) Adopt land value as the general-rate base, use a 1:1 business/residential multiplier as the principled benchmark, and pursue the greatest practicable reduction in the differential. Assess the combined package rather than preserving the existing commercial revenue share by assumption.

(b) Cost and consult on a per-SUIP annual charge for appropriate recurring services, reducing the amount recovered through the value-based general rate by the same revenue. Retain and extend user charging where practicable.

(c) Design rates around efficient service funding. Leave income redistribution to central government's tax and transfer system, while addressing liquidity and transition separately.

(d) Phase changes where necessary and provide accessible postponement through Council's own postponement policy and mechanisms like the proposed Ratepayer Assistance Scheme.

(e) If Council instead targets the rough proportion of rates paid by residences and businesses either during a transition period or as end-point, Council should measure that ratio separately from the contributions of regulated utilities, whose network assets have high capital value but little land value. It otherwise risks increasing rates paid by non-utility businesses where high and uncompetitive rates on business are part of the problem to be solved. Publish the rates now assessed on Tiaki Wai and other network utilities.

(f) Use Business Improvement Districts to let business neighbourhoods choose, fund, govern and arrange delivery of additional local services, with meaningful assent to the programme and its cost.

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[1] Eric Crampton, Rates for change: How Wellington can be the blueprint for the rest of NZ, The Post Weekend, 10 June 2023; and Submission to Wellington Council on the Draft Economic Wellbeing Strategy, dated 29 April 2022, especially sections 3, 4 and 6. 2023 column; 2022 submission

(g) Prefer broad land-value reform to extending the vacancy differential. Support earthquake-prone-building relief where it addresses a demonstrated public benefit, and define the purpose and limits of any special-circumstances remission. Ensure land valuations reflect site-specific geotechnical and heritage constraints and their effects on development costs and feasible uses. Land encumbered by geotechnical or heritage-building issues is less valuable than comparable unencumbered land. Council should expect difficulties in obtaining clean valuations of so-encumbered land.

(h) Fund services that benefit only part of the district through user charges and targeted rates before striking the residual land-value rate. Land value apportionment is particularly appropriate in a highly urban context, like Wellington. If Wellington merges with other neighbouring councils that include substantial amounts of rural land, a much sharper focus on user-charging and realistic assessments of properties benefitted by town services will be needed. A $2 million land-value farm that uses few town services because it is too far from town should not be compelled to pay the same rates as a $2 million urban property close to services funded by rates; at the same time, downtown apartments should not cross-subsidise remote and rarely-used rural roads. The same question already arises, on a smaller scale, for rural land at Mākara and Ōhāriu.

1.6 On Council's five key proposals: we support Key Proposal 1 (land value as the rating base); support the direction of Key Proposal 2 but recommend going further than a 3.0 multiplier; oppose Key Proposal 3 (extending the vacant-land differential); support identifying Tiaki Wai separately under Key Proposal 4, but not a continuing commercial multiplier on its network without justification; and support the simpler earthquake-prone-building remission in Key Proposal 5, subject to the conditions in section 8.

1.7 We would welcome the opportunity to speak to this submission at the oral hearings.

2. A BETTER BASIS FOR GENERAL RATES

2.1 Council should recover costs through user charges where charging is practicable and proportionate. Where services have identifiable local beneficiaries, targeted funding can be appropriate. The remaining revenue requirement should be recovered in a way that does as little damage as possible to productive activity. This ordering applies the considerations Council must weigh under section 101(3)(a) of the Local Government Act 2002: who benefits from an activity, whose actions create the need for it, and whether it is worth funding separately.[2]

2.2 Land value is a better base for that residual than capital value. The supply of land is largely fixed, while the buildings placed on it respond to incentives. Under CV rating, a new building or building improvement that raises a property's assessed capital value can increase its share of the rates bill. Under LV rating, adding to or improving a building does not by itself increase the land-based assessment. Removing that penalty improves the return to housing, commercial development and strengthening work.

[2] Local Government Act 2002, s101(3)(a). The consultation document, p6, records that Council considered s101(3)(a) and (b) in preparing its proposals.

2.3 The benefit principle provides a complementary argument. Access, amenities and public services can increase what people will pay for a location, with some of that benefit capitalised into land values. Land values also reflect natural amenities, private activity and planning constraints; they are not a precise measure of services supplied by Council. Nevertheless, taxing the owner's additional improvements is a poor substitute for identifying the relevant benefits or costs.

2.4 The comparison is with CV rating. A land tax does not make every vacant site immediately worth developing, or remove the need for infrastructure, workable planning rules and finance. Its merit is that Council can recover revenue without making an otherwise worthwhile improvement less attractive merely because that improvement raises assessed capital value.

2.5 A uniform annual charge can complement LV rating where recurring service costs or benefits reasonably track the number of households or separately used premises, and direct user charging is impracticable. Council should identify those services and their costs before selecting the amount charged. A SUIP is an imperfect proxy for a person or household, and commercial units can have very different service demands.

2.6 Creating another dwelling or separately used unit brings another annual charge. Where the charge matches the cost of serving an additional unit, that is an appropriate price; any excess is a tax on new dwellings. It should therefore be modest and justified by the services being funded. It should not be chosen solely to make an attractive distributional chart, or to transfer as much as possible onto apartments. For the costs appropriately assigned to each unit, however, it can ensure that additional dwellings make an ongoing contribution while allowing a lower LV rate for everyone.

2.7 Income redistribution belongs with central government's tax and transfer system. Council should choose its rating structure to fund local services efficiently, with charges related to services and benefits where practicable. Income equity or progressivity should not be an objective of the rating system.

2.8 Councils have different rating bases and different concentrations of low-income households. Local redistribution would make support for otherwise similar households depend on where they live. Councils with weaker rating bases could face greater needs but have less capacity to fund assistance. Central government can draw on the national tax base and provide support on consistent terms.

2.9 Council must still consider the overall impact of its funding choices, as section 101(3)(b) of the Local Government Act requires, and needs to understand changes in rates assessments, cash-flow pressures and political feasibility. That analysis should inform transition and postponement arrangements, without turning local rates into an income-redistribution system.

2.10 Recurring services should be distinguished from additional infrastructure capacity: a per-SUIP charge is not a substitute for justified, properly financed growth infrastructure charges, and the same costs should not be recovered twice.

2.11 Council currently has no uniform annual general charge, and its published LV illustration assumes no new fixed charge. Adding this instrument is therefore a further option for consultation. Section 15 of the Rating Act permits a per-SUIP UAGC. Council should confirm the applicable statutory parameters, including the water-transfer provisions affecting the usual limit on uniform charges.[3]

[3] WCC, Rating Policies Review consultation document, October 2026, pp14 and 27. Local Government (Rating) Act 2002, ss15 and 21; Local Government (Water Services) Act 2025, s90. Section 90 temporarily disapplies s21 following a qualifying transfer of water-charging powers; if the transfer to Tiaki Wai took effect on 1 July 2026, the disapplication would run to 30 June 2032, the end of the fifth financial year after the year of transfer. Council should

3. COMMERCIAL RATES AND INVESTMENT

3.1 Wellington's current commercial general-rate multiplier is 3.7. The adopted 2026/27 multipliers are 2.4203 for Auckland urban businesses, 2.0 for Christchurch businesses and 2.9877 for Hamilton commercial properties. The consultation document gives 2.39 for Auckland and 2.22 for Christchurch. The Christchurch figure is last year's: Christchurch cut its business differential to 2.0 for 2026/27. Wellington's downtown and commercial-sector targeted rates add further charges.[4]

3.2 These multipliers are not a comparison of total business bills: each operates on a different revenue requirement and valuation base, alongside different fixed charges, targeted rates, regional services and water arrangements. Infometrics' April 2026 presentation provides a broader descriptive comparison. It reports median commercial rates at 2.4% of CV in Wellington for 2025/26, against 0.9% in Auckland, 0.9% in Christchurch and 1.2% in Hamilton, including regional and water rates. It does not measure service quality or establish how many jobs are lost because of rates.[5]

3.3 The concern is nevertheless material. A city seeking investment, employment and a thriving centre should scrutinise a tax system that places a high recurring charge on commercial property and increases that charge when owners improve it. Where particular activities impose additional costs, those costs should be demonstrated and recovered through suitable charges. For additional services intended principally to benefit a business neighbourhood, willingness to fund them through a BID ballot provides a practical test of demand.

3.4 Capitalisation qualifies the competitiveness argument. An expected recurring rates burden can reduce the price a buyer will pay for land. Where an occupier pays rates separately, a higher expected rates bill may be partly offset by lower contractual rent. With full capitalisation of a pure land tax, the lower purchase price can offset the higher annual tax for a new entrant. Comparing annual rates alone can therefore overstate the difference in the economic cost of locating in Wellington. However, the reduction in land value is a cost borne by those who owned the land when the charge was imposed or increased.

confirm its application and expiry for Wellington, and design any uniform charge to comply with s21 from then. Consultation document; Rating Act; Water Services Act

[4] WCC consultation document, pp15–18; Auckland Council, adopted Annual Plan 2026/27, volume 1, p78; Christchurch City Council, current Setting rates page and final Annual Plan 2026/27, p30; Hamilton City Council, Annual Plan 2026/27, p117. Multipliers compare the relevant business category with each council's standard residential category, not total bills. WCC document; Auckland plan; Christchurch rates; Hamilton plan

[5] Brad Olsen, Infometrics presentation on Wellington rates affordability, 7 April 2026, slide 3 (method and scope) and slide 13 (2025/26 median commercial rates as a percentage of CV). The deck includes regional and water charges and excludes service quality/value for money. The underlying report is Nick Brunsdon, Wellington City Rates Affordability Research, Infometrics, March 2026; the comparison is at chart 14, p30. Infometrics presentation

3.5 That does not eliminate the concern about the present system, because the present system is not a pure land tax. CV rating still affects the return to additional improvements, and the differential applies that charge to commercial buildings at 3.7 times the residential rate. A differential tied to commercial use can also distort the choice between commercial and residential uses. Where a site can be put to either use, as central-city zoning generally allows, a higher charge on commercial use means less land and less building in commercial use, and higher occupancy costs for the businesses that remain. Those effects are not capitalised away. The competitiveness concern therefore attaches to the differential and to the taxation of improvements, rather than to the level of a uniform land rate. A land-value rate at a common multiplier is the system under which rates would have least effect on where businesses choose to locate. Avoiding these kinds of distortions enables Council to fund its activities at lower overall cost.

3.6 The consultation document gives three reasons for the higher commercial rate.[6] The first is that around 38,000 commuters use city infrastructure each day. Access to workers and customers benefits commercial property, but that benefit is reflected in the value of commercial land, just as proximity to transport and amenities is reflected in the value of residential land. A land-value rate at a common multiplier already charges for it. Where commuters impose identifiable costs, those costs are better recovered from those who impose them, through time-of-use charging and parking prices, than through a multiplier that applies equally to a suburban workshop with no commuter load. Greater Wellington's public transport rate has also applied a much higher differential to Wellington's central business district than to other properties.[7]

3.7 The second reason offered is that businesses can deduct rates from taxable income and reclaim GST on them. Neither is an advantage for a differential to offset. Rates are deductible because the income they help to earn is taxed; an owner-occupier's imputed rent is not taxed, so there is nothing to deduct against. Businesses reclaim GST on rates because they charge GST on what they sell. A residential landlord also deducts rates, but pays the base rate. Nor could the argument support the present multiplier even on its own terms. A household bears $1.15 after GST for each dollar of rates. A company charged a multiple of that dollar bears 72 percent of it after deducting at the 28 percent company rate. The two are equal at a multiplier of about 1.6.

3.8 We further note that none of this is a reason for exempting rates from GST – a common trope in some communities. Making rates non-GSTable would create a different distortion: it would encourage more services to be provided through Council, rather than privately, solely because of a tax advantage.

[6] WCC consultation document, p16. The doubt about pass-through by landlords is at p17 and in the submission form's list of concerns, p5.

[7] Greater Wellington Regional Council, response to LGOIMA request 2024-176, 15 August 2024, listing public transport rate differentials of 7 for Wellington CBD and 1.4 for other business outside Wairarapa. GWRC response

3.9 The third offered reason is the effect on residential ratepayers. That effect is large and politically relevant. In 2026/27, commercial, industrial and business properties make up about 20 percent of rateable capital value and pay about 48 percent of general rates. At a common multiplier on capital value and an unchanged general-rate requirement, about $106 million a year would move to the base category, increasing its general rates by a little over half. Council's LV illustration implies a larger shift under land value, where commercial property is a smaller share of the base.[8] The size of the shift is a reason for a published transition, discussed in section 4, and for treating a common multiplier as the destination rather than the first step. It is not a justification for the differential: it shows how much the present system loads onto commercial property, not that the load is warranted.

3.10 The consultation document also says it is uncertain whether landlords would pass a reduction on to businesses. That is the wrong test. To the extent the differential is capitalised into the price of commercial land, a reduction is a gain to current owners and does little for tenants. But to the same extent, the differential was not raising tenants' costs, and the gain mirrors the loss owners bore when the charge was imposed or increased. To the extent it is not capitalised, because it falls on buildings and on the choice of commercial use, a reduction lowers the cost of commercial space over time, as more of it is built, maintained and kept in commercial use. The case for reform rests on that second effect. Where tenants pay outgoings directly, as is common in commercial leases, they also receive the reduction directly until rents are next reviewed.

3.11 Council should explicitly note that an objective of the rating review is to make the rates burden on business more competitive with other cities where businesses may choose to locate. The consultation document already says the proposed reduction aims to increase economic investment and job creation. Making Wellington a more attractive location for productive investment should support employment and income growth.

3.12 The principled destination is a 1:1 general-rate multiplier, with businesses continuing to pay general rates and any justified service or beneficiary charges. Council's proposed reduction from 3.7 to 3.0 over six years moves in the right direction under CV. It is not a reason to adopt 3.0 as a permanent endpoint, or as the automatically appropriate multiplier under LV. The latter requires modelling the entire package.[9]

4. WINDFALLS AND A WORKABLE TRANSITION

4.1 Reform changes both future incentives and the distribution of wealth. Owners expecting lower future rates may receive a capital gain; those expecting higher rates may incur a capital loss. These effects can begin when a credible policy change is announced. The investment case rests on improving the treatment of subsequent decisions.

4.2 Changing the rating base and differential may also change assessed land values over time. Static modelling on today's valuation roll is a necessary starting point, but Council should show sensitivities to plausible capitalisation and valuation adjustments.

[8] WCC, Annual Plan 2026/27, funding impact statement, pp48–50: general rates of $199.4 million on $74.3 billion of capital value in the base category and $181.9 million on $18.3 billion in the commercial, industrial and business category. The estimate is the Initiative's calculation of a uniform rate raising the same general-rate revenue. The consultation document, p14, reports that a 5.8 multiplier would be needed under LV to hold the current split, which implies commercial property is about 14 percent of rateable land value. Annual Plan

[9] WCC, published submission form, October 2026, pp4–5; consultation document, pp15–18. The preferred 3.0 multiplier and six-year phase-in are specified for the CV proposal; the accompanying LV multiplier remains to be developed. Submission form

4.3 An immediate move to the full package could face serious political constraints. Council is better placed than The Initiative to judge an acceptable timetable. Preserving existing shares should not, however, become the objective of reform. At an unchanged rates requirement, reducing the combined contribution of non-utility businesses and utilities means a higher contribution from the remaining base, principally residences. But uncompetitively high charges on Wellington businesses are part of the problem this review should address.

4.4 A published phase-in can limit annual cash-flow shocks and give owners time to adjust. If the Local Government (Rates Capping) Amendment Bill proceeds, the phase-in would also need to be planned alongside its proposed 2 to 4 percent target range for overall rates increases.[10] Rates postponement can address liquidity. It allows an eligible owner to meet a liability later rather than finding the cash immediately. It does not cancel the liability, remove financing costs or compensate for a fall in property value.

4.5 The proposed Ratepayer Assistance Scheme could make postponement more accessible and efficient. It is not yet an operating universal entitlement. LGNZ's published design includes age or rates-rebate eligibility and a minimum property-equity requirement. Its establishment depends on legislation and on the incoming government, and working-age owners with limited equity would fall outside the published design. Council should support its establishment, review its own postponement policy for transition cases, and assess access to suitable postponement for owners facing liquidity constraints.[11]

4.6 Council will find it necessary to publish expected effects of the rating change for different types of residences and businesses, and that work invites argument over distributional effects. The package should reduce non-utility businesses' share of total rates revenue while shifting the value-based component away from buildings and towards land. Adding ratepayer authorisation requirements for major spending projects, discussed in section 6, may make the shift more palatable for owners who see an increase in their share of the rates bill and fear more large bills to come.

4.7 Council should also publish the rates that would be payable on currently exempt Crown and Crown-entity property under each proposed rating system. It should distinguish existing payments from the additional contribution that removing the exemptions would provide, and show the resulting reduction in other ratepayers' bills at an unchanged total rates requirement. This requires recalculating rates over the expanded rating base.[12] It may not persuade central government to make those properties rateable, but may help ratepayers see part of the problem in Council's rating base.

4.8 Council should assess how far it can move towards the principled destination, publish the best feasible combination of rating base, per-SUIP charge and differential, and revisit the remaining compromises as circumstances change.

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[10] Local Government (Rates Capping) Amendment Bill (340–1), first reading 1 September 2026. Bill

[11] LGNZ, Ratepayer Assistance Scheme overview, pp1–2, and media release of 15 October 2026 welcoming the Labour Party's pre-election commitment to implement the scheme. No government had been formed at the time of writing. The overview describes proposed rates-postponement eligibility for people aged 55+ or eligible for the rates rebate, and at least 20% property equity, among other conditions. WCC consultation document, p25, records uncertainty about the scheme. Scheme overview; October 2026 release

[12] Local Government (Rating) Act 2002, ss6–9 and Schedule 1. Non-rateability applies to specified categories; certain service rates can remain payable. Council should identify the relevant holdings and existing payments when modelling an expanded rating base. Rating Act

5. SEPARATE UTILITY INCIDENCE FROM ORDINARY BUSINESS INCIDENCE

5.1 The consultation recognises that utilities with substantial infrastructure capital and relatively little rateable land may pay much less under LV. Treating the entire reduction as relief for Wellington businesses can misdescribe who benefits.[13]

5.2 The accounting problem is straightforward. If Council holds the combined commercial contribution constant while utilities' contribution falls, other commercial ratepayers must make up the difference. An unchanged aggregate commercial/residential split can therefore conceal an increased burden on non-utility businesses. Equally, a fall in the aggregate commercial share does not establish that the ordinary businesses Council wants to attract are receiving an equivalent reduction.

5.3 The consultation document says any increase in Tiaki Wai's rates is likely to be passed on to all ratepayers through water charges. There is also primary evidence for customer pass-through by other networks. Wellington Electricity's 2026/27 pricing schedule identifies local council rates as costs passed through at cost. Its methodology also explains that retail bill outcomes depend on consumption, retail plans and retailers' pass-through. The Commerce Commission's Chorus fibre determination treats rates as pass-through costs with updating and reconciliation mechanisms. Savings on these regulated activities should not simply be counted as extra profit for utility shareholders.[14]

5.4 If Council preserves the ratio of non-utility business rates to residential rates while utilities' contribution falls, both remaining categories will contribute more at an unchanged total rates requirement. This is a useful benchmark for assessing transition options, but it would not deliver the reduction in non-utility businesses' rates share that this submission recommends. Lower rates on regulated utilities should also feed through over time into utility charges lower than otherwise. This is also why regulated utilities should be separated from non-utility businesses when assessing rates shares. Those offsets will be less than dollar for dollar where network prices are set across a wider area. Wellington Electricity prices across a network that also serves Porirua and the Hutt Valley, and Chorus prices nationally; rates levied on those networks by other councils reach Wellington customers in the same way. Council should estimate the resulting offsets for Wellington households and businesses.

5.5 The largest case is likely to be Tiaki Wai. Its network is rated in the commercial category, Council expects the network's capital value to grow, and much of that rateable value would fall away under LV. A general rate on water infrastructure that is recovered through water charges is in substance a charge on water customers that does not appear on the rates bill. Council should publish the rates now assessed on Tiaki Wai and on other network utilities, and the share of the commercial contribution they represent.

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[13] WCC consultation document, pp10–14, especially the p14 modelling assumptions. Page 18 distinguishes a 52:48 residential/commercial general-rate split from a 51:49 total-rates split including regional rates and the sludge levy, while its example dollar bills exclude those charges. Council should reconcile the scope of the p14 and p18 comparisons. Consultation document

[14] WCC consultation document, p21. Wellington Electricity, Electricity Network Pricing Schedule 2026/27, p9, and Pricing Methodology 2026/27, pp32–36 and p47, section 7.1.7; network area and network-level pricing at pp8 and 15. Commerce Commission, Chorus price-quality path for the second regulatory period 2025–2028, final reasons, 13 December 2024, pp45–46, 66 and 72. Electricity pricing schedule; Electricity methodology; Chorus determination reasons

5.6 The published LV illustration uses a 5.8 commercial multiplier to preserve Council's stated 51:49 residential/commercial split. It assumes no new fixed charge and leaves relevant targeted rates on CV. Council should reconcile the revenues included in that split and show the effects on non-utility businesses before using it to assess political feasibility.[15]

5.7 If utilities account for little of the relevant rates revenue, this refinement will make little difference. If their share is material, the refinement could change the assessment substantially. No assumed utility share is needed to make this recommendation. Council has the rating information required to establish the magnitude.

6. BUSINESS NEIGHBOURHOOD SERVICES AND TARGETED FUNDING

6.1 Abolishing the blanket commercial differential does not require households to fund services principally benefiting particular business neighbourhoods. Business Improvement Districts (BIDs) offer a practical way for those beneficiaries to choose the additional services they value, agree a programme and budget, and govern its delivery through a business association. This can cover continuing services as well as individual projects. BIDs are not a replacement for the revenue the differential raises: Wellington's six BIDs together raise about $550,000 a year.[16] City-wide services would be funded by the general rate on all land. BIDs are the means for business neighbourhoods to fund services beyond that.

6.2 A targeted rate can provide dependable collective funding and address the free-rider problem where neighbourhood benefits are difficult to exclude. Council sets and collects the rate and pays the proceeds to the association. The association can employ or contract management and arrange delivery of the agreed programme. Local promotion, events, business support and improvements to the trading environment can be organised this way.[17]

6.3 Wellington already has practical examples. Tawa Business Group reports maintaining town-centre flags and banners, updating a local jobs board, providing parking information, conducting customer surveys, and organising business events and promotions. These are recurring neighbourhood services, rather than simply a way to finance a capital project.[18]

6.4 Council's BID policy requires activities to be additional to services already funded through general rates, and expressly permits additional services within the Downtown Levy area. Council should specify the baseline service it funds, so businesses can choose and commission additional provision without paying twice for the same service.[19]

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[15] See note 13.

[16] WCC, Annual Plan 2026/27, rates funding statement, pp48–49: targeted rates for the Karori, Khandallah, Kilbirnie, Tawa, Miramar and Johnsonville BIDs total about $551,000. Annual Plan

[17] Wellington City Council, Business Improvement District Policy, June 2025, sections 1–2, 5.1, 7–10, especially pp4, 7, 15–17. Council collects the targeted rate and pays a conditional funding grant to the association; the policy's ballot is advisory to Council. BID policy

[18] Tawa Business Group, Tawa Business Group celebrates 10 years, 9 October 2026. Tawa service examples

[19] See note 17.

6.5 Meaningful assent to the boundary, programme and cost is essential. A ballot of eligible owners and occupiers, followed by accountable association governance, published budgets and review, provides a better test of demand than a blanket citywide differential. Council's policy looks for a majority both by number of voters and by rateable value, which protects smaller and larger ratepayers from each other. Council should respect that assent; its present policy treats the ballot as advisory rather than binding.[20] BID-style beneficiary funding is also discussed in the Initiative's Funding the Future.[21]

6.6 The same beneficiary principle applies to convention facilities and other discretionary amenities from which particular businesses expect commercial gains. Removing the blanket differential should not shift those costs onto households. Where such facilities are funded partly from general rates, consistency requires moving that share onto targeted, assented funding as the differential falls. The Downtown Targeted Rate currently meets 40 percent of the cost of the Tākina convention centre activity; the rest falls on general rates.[22] Advocacy by some businesses does not establish the appropriate contribution or the consent of every affected property owner.

6.7 Council should develop a policy requiring demonstrated assent from affected ratepayers before committing to major projects of the scale of the Town Hall, central library, convention centre, sludge minimisation facility or Michael Fowler Centre strengthening. The ballot should disclose the proposed scope, capital cost, contingency, financing arrangements, ongoing operating costs and expected rates burden. Council's BID policy and the Initiative's Funding the Future suggest a workable voting rule: a majority of affected properties by number that also represents a majority by value, with a higher threshold for larger levies. Material increases beyond the approved commitment should trigger renewed approval. Such a policy could make ratepayers more willing to accept rating reform by giving them greater control over the spending commitments their properties ultimately secure.[23]

6.8 Council's reasons for preferring the sludge minimisation facility included meeting its waste-minimisation objectives. Its 2021 consultation material explained that Southern Landfill required four parts other waste for each part sludge, restricting how far other waste could be reduced. The same material described continuing the existing disposal practice as a feasible and affordable option. By December 2022, Council's business-case base option was trucking sludge to Bonny Glen, near Marton. The obligation to manage sludge did not make the preferred capital project inevitable. Expenditure on Council's chosen environmental objectives should be assessed against the costs and benefits of feasible alternatives through a ballot of affected ratepayers.[24]

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[20] See note 17.

[21] Eric Crampton, Funding the Future: The case for special purpose bonds, The New Zealand Initiative, 11 July 2023, pp13–15, especially Box B on Wellington's BID approach. Funding the Future

[22] WCC, Annual Plan 2026/27, description of the Downtown targeted rate. Annual Plan

[23] See further discussion in Eric Crampton, We get the council decisions we deserve, The Post, 14 October 2023. The column proposes affected-ratepayer ballots on substantial additional projects, with the project costs, contingencies, benefits and levy disclosed. October 2023 column

[24] Wellington City Council, 2021–31 Long-term Plan consultation, Decision 7, pp45–47; and Progressing the Sludge Minimisation Facility, 15 December 2022, paras 20–24. The 2021 document also noted pipeline vulnerability and expected a change of practice within about a decade. Later reporting of consent Condition 12 specifies municipal solid waste and/or bulking material at 4:1 by mass: Tiaki Wai, Carey's Gully Southern Landfill Annual Consents Report 2025/2026, p9. The ratio should not be read as requiring ordinary refuse alone. 2021 consultation; December 2022 report; Consent condition

6.9 The present consultation does not propose changing the Downtown Targeted Rate. BERL's review provides information about visitor spending, but its spending-to-funding ratios are not estimates of net economic benefit. The method attributes spending in proportion to funding and does not establish the counterfactual effect of removing that funding. It therefore cannot, by itself, establish the appropriate rate, boundary or allocation among beneficiaries. Council should assess those questions directly, and review whether CV-based targeted charges unnecessarily retain a penalty on improvements.[25]

6.10 Broader neighbourhoods should also have access to BID-style funding mechanisms. How much of the dispute over funding a rebuild of Khandallah Pool could have been avoided if Council had simply asked properties within the pool's catchment whether they would be willing to pay an annual levy to fund the incremental whole-of-life cost of repair over demolition, including the continuing operating subsidy? The facility's broad neighbourhood being willing or unwilling to carry that cost should have been determinative. The author of this submission owns a residential property in Khandallah.

7. VACANT PREMISES

7.1 We prefer LV reform to extending the vacant-land and derelict-building differential down Adelaide Road. The submission form treats that extension as an alternative if CV rating is retained. A broad LV base avoids the additional disputes and margins created by classifying properties according to vacancy or intermittent occupation. Under LV, a vacant site pays the same general rate as a developed neighbour on equivalent land, which meets the differential's stated purpose of ensuring that owners of vacant sites pay their share. Council's June paper could not attribute subsequent development to the existing differential.[26] The existing differential raises about $470,000 in 2026/27 on $35 million of capital value.[27]

7.2 Vacancy may reflect weak demand, seismic costs, consenting or heritage constraints, or the timing of a viable redevelopment. A higher penalty does not remove those obstacles. If CV persists during transition, Council should first establish the existing policy's effects, clarify how genuine constraints are treated and avoid extending a punitive instrument without evidence that its benefits exceed its costs.

[25] WCC consultation document, p24. BERL, June 2026 review of the Downtown Targeted Rate, in the Council Planning and Finance Committee supplementary agenda of 25 June 2026, PDF pp21–63; methodology at PDF pp37–42 and conclusions at pp59–61. The review measures attributed visitor expenditure, without indirect or induced multipliers, rather than net welfare or the marginal return to the tax. Committee paper and BERL report

[26] WCC submission form, p6; consultation document, pp19–20; 25 June 2026 supplementary committee paper, paragraphs 72–73, PDF pp13–14. The proposed definition extends beyond bare land to specified forms of vacant or intermittently occupied buildings. Submission form; June committee paper

[27] WCC, Annual Plan 2026/27, funding impact statement, p48. The purpose of the differential is stated in the consultation document, p20.

8. TIAKI WAI AND REMISSION POLICIES

8.1 We support identifying Tiaki Wai separately for transparent analysis and future consultation. The current proposal initially retains the existing commercial multiplier. As section 5 explains, rates on Tiaki Wai are likely to be recovered through water charges. This remains stronger rationale for excluding regulated utilities from rates-share assessments of distributional effects of changes in the business ratings differential than for a different differential on regulated utilities than other businesses. Council should assess all relevant regulated networks consistently and explain the service-cost or other rationale for any continuing differential.[28]

8.2 We support simpler earthquake-prone-building relief, predictable application rules and retaining the remission with the property after sale. We also support its application to consented demolition as well as strengthening: removing a dangerous building reduces public risk at least as surely as strengthening it. A published duration and annual cap provide useful discipline. Eligibility and any enhanced multiplier should reflect a defensible public benefit, including reductions in public risk; a higher project cost alone does not establish a larger public benefit.[29]

8.3 These remissions should be recalibrated with the rating reform. LV rating already removes the general-rate penalty arising from building improvements that increase CV. Any remaining incentive should address an identified problem, and Council should check overlap with other relief rather than automatically carrying forward every existing concession.

8.4 The proposed special-circumstances remission would be available wherever Council considers remission equitable and fair. A discretion that open invites lobbying and inconsistent treatment. Council should publish criteria, set an annual cap and report each year on the remissions granted.

8.5 Council should ensure that land valuations reflect site-specific geotechnical constraints, including their effects on development costs and feasible uses. A constrained site should not be valued as if it were an otherwise comparable, readily developable site. The same applies to heritage listing. Land value is assessed as if no improvements had been made, which can overlook a constraint that binds because a listed building cannot be removed.[30] Council should establish with its valuer how such sites will be treated before adopting LV, and provide for adjustment where that convention overstates what the land can be used for.

8.6 Where it is within Council's power to remove a heritage listing with the assent of the building's owner, it should offer the owner the opportunity to remove the encumbrance while valuing the land for ratings purposes at its unencumbered value. But Council should not penalise owners by valuing land for ratings purposes as though it were unencumbered while offering no opportunity to remove the regulatory encumbrance.

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[28] WCC consultation document, pp21–23; published submission form, pp7–9. Consultation document; Submission form

[29] See note 28.

[30] Rating Valuations Act 1998, s2, definition of "land value".

9. THE DECISION FOR COUNCIL

9.1 Council should aim for general rates on land value, a common business/residential multiplier, a justified per-SUIP contribution and accessible liquidity assistance. It should retain properly evidenced user and beneficiary charges, and enable business neighbourhoods to organise additional services through BIDs. Income redistribution should remain with central government. The package would improve incentives while making the incidence of the funding choices explicit.

9.2 The politically feasible package and pace are judgements for Council, informed by evidence and consultation. That assessment should compare residences with non-utility businesses, account separately for utility customers, and examine the distribution within each group. Political constraints may require a continuing compromise. Council should explain those constraints, select the best feasible package and periodically reconsider the remaining departures from the principled benchmark. And remember that Council's own stated aim in proposing a lower differential is to increase economic investment and job creation, which requires business rates that are more competitive with those in other centres.