AGENDA

Ordinary Council meeting
Monday, 24 March 2025

I hereby give notice that an Ordinary meeting of Council will be held on:

Date:	**Monday, 24 March 2025**
Time:	**9.30am**
Location:	**Bay of Plenty Regional Council Chambers Regional House 1 Elizabeth Street Tauranga**

Please note that this meeting will be livestreamed and the recording will be publicly available on Tauranga City Council's website: www.tauranga.govt.nz.

Marty Grenfell

Chief Executive

Terms of reference – Council

Membership

Chairperson	Mayor Mahé Drysdale
Deputy Chairperson	Deputy Mayor Jen Scoular
Members	Cr Hautapu Baker Cr Glen Crowther Cr Rick Curach Cr Steve Morris Cr Marten Rozeboom Cr Kevin Schuler Cr Rod Taylor
Quorum	Half of the members present, where the number of members (including vacancies) is even; and a majority of the members present, where the number of members (including vacancies) is odd.
Meeting frequency	Three weekly or as required

Role

- To ensure the effective and efficient governance of the City.
- To enable leadership of the City including advocacy and facilitation on behalf of the community.
- To review and monitor the performance of the Chief Executive.

Scope

- Oversee the work of all committees and subcommittees.
- Exercise all non-delegable and non-delegated functions and powers of the Council.
- The powers Council is legally prohibited from delegating include:
  - Power to make a rate.
  - Power to make a bylaw.
  - Power to borrow money, or purchase or dispose of assets, other than in accordance with the long-term plan.
  - Power to adopt a long-term plan, annual plan, or annual report.
  - Power to appoint a chief executive.
  - Power to adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the long-term plan or developed for the purpose of the local governance statement.
  - All final decisions required to be made by resolution of the territorial authority/Council pursuant to relevant legislation (for example: the approval of the City Plan or City Plan changes as per section 34A Resource Management Act 1991).
- Council has chosen not to delegate the following:
  - Power to compulsorily acquire land under the Public Works Act 1981.
- Make those decisions which are required by legislation to be made by resolution of the local authority.

- Authorise all expenditure not delegated to officers, Committees or other subordinate decision-making bodies of Council.
- Make appointments of members to the council-controlled organisation Boards of Directors/Trustees and representatives of Council to external organisations.
- Undertake all statutory duties in regard to Council-controlled organisations, including reviewing statements of intent and receiving reporting, with the exception of the Local Government Funding Agency where such roles are delegated to the City Delivery Committee. This also includes Priority One reporting.
- Consider all matters related to Local Water Done Well.
- Consider any matters referred from any of the Standing or Special Committees, Joint Committees, Chief Executive or General Managers.
- Review and monitor the Chief Executive's performance.
- Develop Long Term Plans and Annual Plans including hearings, deliberations and adoption.
- For clarity the Council will develop, review, undertake hearings of and deliberations on community submissions to bylaws as well as the adoption of the final bylaw.

Procedural matters

- Delegation of Council powers to Council's committees and other subordinate decision-making bodies.
- Adoption of Standing Orders.
- Receipt of Joint Committee minutes.
- Approval of Special Orders.
- Employment of Chief Executive.
- Other Delegations of Council's powers, duties and responsibilities.

Regulatory matters

Administration, monitoring and enforcement of all regulatory matters that have not otherwise been delegated or that are referred to Council for determination (by a committee, subordinate decision-making body, Chief Executive or relevant General Manager).

Order of Business

1 OPENING KARAKIA

2 APOLOGIES

3 PUBLIC FORUM

4 ACCEPTANCE OF LATE ITEMS

5 CONFIDENTIAL BUSINESS TO BE TRANSFERRED INTO THE OPEN

6 CHANGE TO THE ORDER OF BUSINESS

7 CONFIRMATION OF MINUTES

7.1 Minutes of the Council meeting held on 24 February 2025

File Number: **A17726183**

Author: **Clare Sullivan, Team Leader: Governance Services**

Authoriser: **Coral Hair, Manager: Democracy and Governance Services**

RECOMMENDATIONS

That the Minutes of the Council meeting held on 24 February 2025 be confirmed as a true and correct record.

ATTACHMENTS

1. **Minutes of the Council meeting held on 24 February 2025**

MINUTES

Ordinary Council meeting
Monday, 24 February 2025

Order of Business

MINUTES OF TAURANGA CITY COUNCIL
ORDINARY COUNCIL MEETING
HELD AT THE BAY OF PLENTY REGIONAL COUNCIL CHAMBERS,
REGIONAL HOUSE, 1 ELIZABETH STREET, TAURANGA
ON MONDAY, 24 FEBRUARY 2025 AT 9.30AM

MEMBERS PRESENT:	Mayor Mahé Drysdale (Chairperson), Deputy Mayor Jen Scoular, Cr Hautapu Baker, Cr Glen Crowther, Cr Rick Curach, Cr Steve Morris, Cr Marten Rozeboom, Cr Kevin Schuler, Cr Rod Taylor
APOLOGIES:	None
LEAVE OF ABSENCE:	None
IN ATTENDANCE:	Marty Grenfell (Chief Executive), Paul Davidson (Chief Financial Officer), Barbara Dempsey (General Manager: Community Services), Nic Johansson (General Manager: Infrastructure), Christine Jones (General Manager: Strategy, Growth & Governance), Alastair McNeil (General Manager: Corporate Services), Sarah Omundsen (General Manager: Regulatory & Compliance), Gareth Wallis (General Manager: City Development & Partnerships), Amanda Davies (Manager: Spaces & Places Project Outcomes), Andrew Hough (General Counsel), Hemi Leef (Associate Counsel), Kathryn Sharplin (Manager: Finance), Sarah Holmes (Corporate Planner), Jim Taylor (Manager: Rating Policy & Revenue), Josh Logan (Team Leader: Corporate Planning), Tracey Hughes (Financial Insights & Reporting Manager), Susan Braid (Finance Lead Projects Assurance), Coral Hair (Manager: Democracy & Governance Services), Clare Sullivan (Team Leader: Governance Services), Caroline Irvin (Governance Advisor),
EXTERNAL:	Rebecca Ryder, Boffa Miskell and Craig Batchelar, Cognito Consulting

Timestamps are included beside each of the items and relate to the recording of the meeting held on 24 February 2025 at https://www.youtube.com/watch?v=fm9cQr01b54

1 OPENING KARAKIA

Cr Hautapu Baker opened the meeting with a karakia.

2 APOLOGIES

Nil

3 PUBLIC FORUM

TIMESTAMP 4:55

3.1 Fred Hutchings, Treasurer, on behalf of the Tauranga Harbour Protection Society - Te Hononga ki Te Awanui (Memorial Park to Elizabeth Recreation Connection)

Key Points

- Mr Hutchings spoke on behalf of Jan Jamieson and the Tauranga Harbour Protection Society. He commented on the four options noted in the report in the agenda for Te Hononga ki Te Awanui. He noted that the Society would prefer to see a joint application with the Council and the Protection Society to the High Court for a legal determination on the proposed design for the full recreation connection as it would bring clarity over the riparian rights issue.

TIMESTAMP 10:35

3.2 Brian Scantlebury - Te Hononga ki Te Awanui (Memorial Park to Elizabeth Recreation Connection)

Key Points

- Mr Scantlebury spoke of the history of the project and discussed each of the options noted in the report on the agenda. He urged Council to choose Option One and change the words suspend to "cease" or "stop". He noted a number of issues if the project went ahead including those of a geotechnical nature, riparian rights, whole of life cost of the project, and security for residents who owned property in the area.
- Mr Scantlebury in response to questioning if the research that the Tauranga Harbour Protection Society (TPHS) had completed would be shared with the Council, advised that this was a decision for the THPS Committee, however he doubted it would be shared at this point.

4 ACCEPTANCE OF LATE ITEMS

Nil

5 CONFIDENTIAL BUSINESS TO BE TRANSFERRED INTO THE OPEN

Nil

6 CHANGE TO THE ORDER OF BUSINESS

Nil

7 CONFIRMATION OF MINUTES

There were no minutes to confirm.

8 DECLARATION OF CONFLICTS OF INTEREST

Nil

9 DEPUTATIONS, PRESENTATIONS, PETITIONS

Nil

10 RECOMMENDATIONS FROM OTHER COMMITTEES

TIMESTAMP 23:08

10.1 Recommendatory Report from the Accountability, Performance & Finance Committee dated 5 November 2024 - Rating Categories and Rating Policy

RESOLUTION CO/25/2/1

Moved: Cr Rod Taylor
Seconded: Cr Marten Rozeboom

That the Council:

(a) Receives the report "Recommendatory Report from the Accountability, Performance & Finance Committee - Rating Categories and Rating Policy".

(b) Adopts the recommendations of the Accountability, Performance & Finance Committee and considers, along with the draft budget in February, options regarding the industrial category including:

(i) Removing smaller operations from the industrial category.

(ii) Reviewing the level of differential.

(iii) Recombining commercial and industrial rating categories.

(c) Adopts the recommendations of the Accountability, Performance & Finance Committee and as part of the annual plan process, consider whether to continue to move toward general rates set at a fixed proportion of residential 65%, Commercial 15%, industrial 20% as included in the LTP.

(d) Directs staff to bring back a brief business case to develop a rates estimator calculator on Council's property search page for the first 3 years of the Long-Term Plan, to be ready before Council's next Long-term Plan.

CARRIED

11 BUSINESS

TIMESTAMP 24:35

11.1 Te Hononga ki Te Awanui (Memorial Park to Elizabeth Recreation Connection)

Staff Barbara Dempsey, General Manager: Community Services
Amanda Davies, Manager: Spaces & Places Project Outcomes
Andew Hough, General Counsel
Hemi Leef, Associate Counsel

External Rebecca Ryder, Boffa Miskell & Craig Batchelar, Cognito Consulting

Rebecca Ryder and Craig Batchelar, through a powerpoint presentation, outlined the project background, objectives, timeline, engagement, avenues connection, risks and options as set out in the report.

Staff confirmed that $400,000 cost had been spent to date and there was no budget provided for this project in the Long Term Plan.

Requests from Councillors

- Information on the amount of money spent to date on Te Hononga ki Te Awanui over 20 years.

The meeting adjourned at 11.22 am and resumed at 11.36 am.

RESOLUTION CO/25/2/2

Moved: Deputy Mayor Jen Scoular
Seconded: Cr Glen Crowther

That the Council:

(a) Receives the report "Te Hononga ki Te Awanui (Memorial Park to Elizabeth Recreation Connection)".

(b) Approves:

- Option i – Suspends all non-committed work on the project.

(c) Rescinds parts (b), (c), (d) and (e) of resolution CO14/23/5 made at the council meeting of 21 August 2023.

Reasons for the decision:

1. The Council agreed to suspend all non-committed work on this project, as the project was seen as a “nice to have” and at an $28.2m estimated cost, did not provide good value for money.
2. The Council believed there were other projects that had greater priority.
3. The Council noted that there was no intention to commit further funds to the project in the Long Term Plan and Option 1 was the logical outcome of that decision.

For: Mayor Mahé Drysdale, Deputy Mayor Jen Scoular, Cr Hautapu Baker, Cr Glen Crowther, Cr Rick Curach, Cr Steve Morris, Cr Marten Rozeboom

Against: Cr Kevin Schuler, Cr Rod Taylor

CARRIED

Attachments

1 Presentation - Te Hononga ki Te Awanui - Council 24 February 2025

11.2 2025/26 User Fees and Charges: Policy Alignment and Changes

Staff Paul Davidson, Chief Financial Officer
Kathryn Sharplin, Manager: Finance
Sarah Holmes, Corporate Planner
Sarah Omundsen, General Manager

TIMESTAMP:2:13:37
Staff advised that Attachment 1 was on the website in the html version of the agenda but was not included as a separate attachment in a PDF format.

RESOLUTION CO/25/2/3

Moved: Cr Marten Rozeboom
Seconded: Mayor Mahé Drysdale

That the Council:

(a) Receives the report "2025/26 User Fees and Charges: Policy Alignment and Changes".

(b) Revokes the Funding Depreciation and Use of Deprecation Reserves Policy 2009.

(c) Agrees the Draft User Fees and Charges schedule forms the basis of the schedule to be adopted at the 3 March 2025 Council meeting, subject to any updates agreed through reports to 3 March Council meeting or changes agreed by Council at this meeting.

CARRIED

11.3 Rating Policy Review 2025/2026 Annual Plan

Staff Paul Davidson, Chief Financial Officer
Jim Taylor, Manager: Rating Policy & Revenue
Kathryn Sharplin, Manager: Finance

TIMESTAMP:2:46:24

Refer to tabled document – Alternative examples of rating impact on residential, commercial and industrial properties - residential 66.3% - Rating Policy Review - Council 2025-02-24 which was provided in response to a request for further information.

Changes to recommendations:

- Recommendation (c) in the report was put and lost. A new (c) was proposed which retained the proportion for residential rating at 65% and requested a report for the 11 March 2025 Council meeting providing options for consideration of the commercial/industrial split.
- Council resolved in (d) that a report be provided to a future meeting for consideration in the next Long Term Plan process, relating to the “Urban Growth – Wide Benefit” targeted rates.

RESOLUTION CO/25/2/4

Moved: Cr Marten Rozeboom
Seconded: Cr Rick Curach

That the Council:

(a) Receives the report "Rating Policy Review 2025/2026 Annual Plan".

(b) Changes the definition of Industrial rating category to exclude any rating unit with a land area less than 250m2, (*or exclusive use area less than 250m2 for cross lease or unit titles*), which will be classified in the commercial rating category.

For: Mayor Mahé Drysdale, Deputy Mayor Jen Scoular, Cr Hautapu Baker,Cr Rick Curach, Cr Steve Morris, Cr Marten Rozeboom, Cr Kevin Schuler and Cr Rod Taylor

Against: Cr Glen Crowther

CARRIED

A MOTION WAS PROPOSED

Moved: Cr Marten Rozeboom
Seconded: Cr Rick Curach

That the Council:

(c) Continues with the Long-term Plan decision to move to a fixed proportion of the general rates for each rating category and change the proportions for the residential rating category to 66%, the Commercial rating category to 15% and the industrial rating category to 19% by the 2027/28 rating year.

For: Mayor Mahé Drysdale, Cr Rick Curach, and Cr Marten Rozeboom,

Against: Deputy Mayor Jen Scoular, Cr Hautapu Baker, Cr Glen Crowther, Cr Steve Morris, Cr Kevin Schuler and Cr Rod Taylor

LOST

AN AMENDMENT WAS PROPOSED

RESOLUTION CO/25/2/5

Moved: Cr Steve Morris
Seconded: Cr Rick Curach

That the Council:

(d) Requests that a paper be brought to a future Council meeting for consideration in the next Long Term Plan process, relating to the "Urban Growth – Wide Benefit" targeted rates.

CARRIED

A MOTION WAS PROPOSED

RESOLUTION CO/25/2/6

Moved: Cr Glen Crowther
Seconded: Cr Hautapu Baker

That the Council:

(c) Continues with the Long-term Plan decision to move to a fixed proportion of the general rates for each rating category and retain the proportion for the residential rating category at 65%, and at the 11 March 2025 Council meeting bring back options for the commercial/industrial rating split.

For: Deputy Mayor Jen Scoular, Cr Hautapu Baker, Cr Glen Crowther, Cr Rick Curach, Cr Steve Morris, Cr Marten Rozeboom, Cr Kevin Schuler and Cr Rod Taylor

Against: Mayor Mahé Drysdale

CARRIED

Attachments

1 Tabled item 11.3 - Alternative examples of rating impact on residential, commercial and industrial properties - residential 66.3% - Rating Policy Review - Council 2025-02-24

The meeting adjourned at 1.25 pm and resumed at 2.00 pm

11.4 Draft Annual Plan 2025/26 - Decision Making

Staff Paul Davidson, Chief Financial Officer
Christine Jones, General Manager: Strategy, Growth & Governnance
Barbara Dempsey, General Manager; Community Services
Nic Johansson, General Manager, Infrastructure
Kathryn Sharplin, Manager: Finance

Timestamp:4:34

Requests from Councillors
- Provide information on the cost of use of consultants for City Waters.
- Provide a breakdown of the cost of $338,000 of the new Bay Venues facility at Cameron Road.
- Re-send the Revenue & Funding Policy.
- Provide information on difference of the allocator activity for customer service, with the libraries

& community hub.

Change to Resolution

- Removed recommendation (c) as sought more information on the costs of the $338,000 for the new Bay Venues to come to the 3 March 2025 Council meeting.

RESOLUTION CO/25/2/7

Moved: Cr Rod Taylor
Seconded: Cr Steve Morris

That the Council:

(a) Receives the report "Draft Annual Plan 2025/26 - Decision Making".

(b) Confirms the 2025/26 capital programme as agreed in December with the following adjustments which reduce the total programme to $506m as detailed in Attachment 1:

(i) Deferral of $6.8m of expenditure on Turret Road to later year

(ii) Bring forward $1.5m of Taurikura Drive upgrade

(iii) Other minor timing adjustments

(d) Approves the baseline budget that achieves a maximum rates increase after growth of 12.5%, based on activity budgets as set out in Attachment 2 with further budget adjustments to be considered by Council on 3 March 2025.

(e) Notes the revised net debt at year end June 2026 is $1.65b, which is consistent with the Long Term Plan.

CARRIED

12 DISCUSSION OF LATE ITEMS

Nil

13 PUBLIC EXCLUDED SESSION

Resolution to exclude the public

RESOLUTION CO/25/2/8

Moved: Deputy Mayor Jen Scoular
Seconded: Cr Hautapu Baker

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
13.1 - Asset Realisation Reserve - 376 No.1 Road, Te Puke (Orchard Block) Divestment Objectives and Disposal Classification	s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
13.2 - Asset Realisation Reserve - Kairua Road - Divestment Objectives and Disposal Classification	s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

CARRIED

The public were excluded at 3.18pm.

The meeting resumed in open at 5.01 pm.

14 CLOSING KARAKIA

Councillor Baker closed the meeting with a karakia.

The meeting closed at 5.02 pm

The minutes of this meeting were confirmed as a true and correct record at the Ordinary Council meeting held on 24 March 2025.

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Mayor Mahé Drysdale
CHAIRPERSON

8 DECLARATION OF CONFLICTS OF INTEREST

9 DEPUTATIONS, PRESENTATIONS, PETITIONS

Nil

10 RECOMMENDATIONS FROM OTHER COMMITTEES

Nil

11 BUSINESS

11.1 Draft Development Contributions Policy 2025/26

File Number: **A17324617**

Author: **Ben Corbett, Team Leader: Growth Funding**

Authoriser: **Christine Jones, General Manager: Strategy, Growth & Governance**

PURPOSE OF THE REPORT

1. To present the proposed local and citywide development charges to be included in the draft Development Contributions Policy 2025/26 (draft DCP).
2. To present the Statement of Proposal and draft DCP for adoption for the purposes of public consultation.

RECOMMENDATIONS

That the Council:

(a) Receives the report "Draft Development Contributions Policy 2025/26".

(b) Agrees to incorporate the proposed updates to local and citywide development contributions in the draft Development Contributions Policy 2025/26.

(c) Agrees to incorporate three new local development contributions catchments in the draft Development Contributions Policy 2025/26 for Tauriko Business Estate Stage 4, Tauriko West and Upper Ohauiti.

(d) Adopts the Statement of Proposal and draft Development Contributions Policy 2025/26 for the purposes of public consultation.

(e) Delegates authority to the General Manager: Strategy, Growth & Governance to make amendments to the draft Development Contributions Policy 2025/26 to correct minor errors in wording or financial information

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EXECUTIVE SUMMARY

3. Council uses development contributions (DCs) to fund a portion of the cost of growth-related capital expenditure for certain infrastructure projects. DCs are charged in accordance with the operative Development Contributions Policy (DCP).
4. TCC generally updates its DCP annually. The amendments proposed in the draft Development Contributions Policy 2025/26 (draft DCP, attached) are aligned with TCC's draft Annual Plan 2025/26 (draft AP).
5. TCC is proposing to include a number of changes in its draft DCP. These are to update DCs to reflect the draft AP, introduce new catchments and wording updates to improve the clarity and function of the DCP.
6. The citywide DC is proposed to increase materially. A 3-bedroom dwelling currently pays a charge of $29,701 plus GST and this is proposed to change to $34,169 plus GST – an increase of $4,468 or 15%. The change has been primarily driven by:

(a) an increase in growth funding for the central library following the removal of the assumed Te Manawataki o Te Papa Infrastructure Funding and Financing levy ($2,511 or 8.5%); and

(b) an increase in cost of capital (interest on debt) for wastewater assets ($1,457 or 4.9%).

7. The citywide DC charge for non-residential development has also increased but by a lesser amount of 5.7%. This increase is lower as non-residential development only contributes towards water supply and wastewater assets.

8. The charge for West Bethlehem (a local DC catchment) is proposed to increase by 5% for residential development and 6.4% for non-residential development. This does not reflect an increase in capital expenditure charges. Rather, charges for this catchment have been subsidised for many years with the subsidy decreasing each year. 2024/25 is the final year of this subsidy with full DC charges proposed to apply from 1 July 2025.

9. All other DCs are proposed to stay materially the same as in 2024/25 with no other percentage movements of 5% or more.

10. Three new local development contributions catchments are proposed for Tauriko Business Estate Stage 4, Tauriko West and Upper Ohauiti.

11. Finally, wording changes have been suggested to improve the readability and efficacy of implementing the DCP or to provide further detail on how the charges have been calculated.

12. Council may resolve to make all, some or none of these changes. It is recommended all be implemented on the basis this will better ensure developers pay their fair share of growth-related capital expenditure.

13. The draft DCP will be published for public consultation alongside the draft AP with public hearings and Council deliberations to follow. The final DCP will return for adoption in June and be operative from 1 July 2025.

DISCUSSION

Proposed changes to DCs and rationale for change

14. The proposed DCs for each catchment are set out in the draft DCP and in the attached Statement of Proposal. The table below summarises the catchments in which DCs have changed by more than 5%. All charges are shown exclusive of GST.

Catchment	2024/25 DC ($)	Draft 25/26 DC ($)	Increase ($)	Increase (%)	Unit
Citywide (residential)	29,701	34,169	4,468	15	Per lot
Citywide (non-residential)	7,097	7,499	402	5.7	Per 100 sqm gross floor area
West Bethlehem (residential)	31,011	32,565	1,554	5	Per lot
West Bethlehem (residential)	418,646	439,633	20,987	5	Per hectare
West Bethlehem (non-residential)	591,318	628,969	37,651	6.4	Per hectare

Changes to citywide DC

15. The below table summarises the changes to the residential citywide DC and the key drivers of change.

Charge	Charge per 3-bedroom dwelling ($)	Key drivers of change
2024/25 citywide DC change	29,701	
Plus increase in water supply charge	+803	Primarily caused by increased cost of capital (i.e. interest costs on debt). This is due to updated, lower growth projections and delayed collection for a rephased project resulting in reduced DC revenue and therefore higher interest costs of DC-related debt.
Plus increase in wastewater charge	+1,457	DC funding for a significant number of projects is ending with a smaller number beginning. This has had a minimal impact on the amount being collected towards the base capital expenditure. This has had a large impact on the cost of capital for these new projects as they are being delivered imminently but the debt will be repaid over 25 years. This has resulted in an increase in cost of capital.
Less transport charge	-178	Funding for 10 of 11 transport projects ends this year. As the residual project was only collecting $13.70 for each Housing Unit Equivalent (which is materially the same as the charge for a 3-bedroom dwelling), staff are recommending collection end altogether. Citywide transport funding will be reconsidered as a whole in the next financial year. Note, local DCs fund a number of large transport projects as does the IFF levy in lieu of citywide DCs. Further detail is provided below.
Less reserves charge	-125	DC has decreased as collection for one project has ended.
Plus community infrastructure	+2,511	DC funding for the central library has increased significantly for two reasons. First, because an Infrastructure Funding and Financing Levy is no longer proposed to be used for this facility and second because the DC calculation methodology has been refined to reflect the detailed design floorplan for this facility. DC funding for the Memorial Park Aquatics Centre has increased per dwelling as this is now being funded over a shorter time period than previously assumed. DC funding for indoor courts has increased due to increases in base capital expenditure and higher cost of capital due to the very long funding period for this project.
Draft 2025/26 citywide DC	**34,169**	

16. There are a number of ongoing uncertainties relating to the community infrastructure DC which are discussed below. The operative DC Policy includes a citywide DC charge for

swimming pools, indoor courts and libraries. Growth calculations for these projects are based on a number of assumptions but the general basis is that the planned projects will provide a benefit to both the existing and the future population of Tauranga.

(a) TCC is currently collecting for the Memorial Park Aquatics Centre. The charge for this project may change in future if Otumoetai Pool remains open and/or TCC reviews its Level of Service Policy and other facilities (like Mount Hot Pools) are included in the level of service benchmark. These questions are likely to be addressed as part of an ongoing strategic review of TCC's aquatics network. It's difficult to accurately forecast the impact of these decisions, however it is likely these changes would result in an increase in total growth funding and the DC per development.

(b) TCC is currently collecting for the central library. The funding for this project has been updated to remove funding from the proposed Te Manawataki o Te Papa Infrastructure Funding and Financing levy which is no longer proceeding. This has been replaced in part by a new third party funding assumption although this remains subject to confirmation. The DC calculation methodology for this project has been refined in light of the detailed design of the floorplan for this project. This has included a review of the final floor area and exclusion of commercial floor area. Cumulatively these changes have increased the DC. Further reductions in third party funding would increase the DC further.

(c) TCC is currently collecting for the BayPark Arena extension. This project is scoped to provide 6 additional indoor courts at BayPark to be delivered by the mid-2030s. Based on TCC's current indoor courts and level of service for this activity, this project will be funded over 36 years from 2023. Council is also considering options which may impact this project, including the ongoing life of the Queen Elizabeth Youth Centre and Mount Indoor Sports Hall which could impact planned projects and growth funding. It is possible that existing facilities could remain open and TCC's desired level of service could change. Together these could fundamentally change TCC's approach to delivering new court facilities and by necessity the associated growth funding. A related consideration is whether TCC should be funding the BayPark Arena extension at this time. As a general rule, TCC would not look to fund projects so far in advance of delivery or over such a long time period. This is because it creates a high risk of under-collection or collection for projects that do not proceed. Staff have included this project in the draft DCP so this issue can be consulted on. It is unlikely Council will have made a decision on strategic direction for this asset before the new DCP is adopted in June. Staff will return to Council with a recommendation on this issue through the deliberations process.

17. While citywide DC funding for transport projects is proposed to end, it is important to note the DCP will continue to collect significant amounts towards the transportation network through local development contributions. Staff are proposing to undertake a broader review of transport growth funding at a citywide level in 2025/26 and report back to Council as part of the next DCP.

18. As a general comment, charging DCs for transport projects using a citywide catchment is difficult as legislation specifically states that DCs should "avoid grouping across an entire district wherever practical". With other types of infrastructure, it is easier to demonstrate that the projects funded via the citywide catchment benefit users equally across the city. This is not as simple with the transport network. Staff will continue to work with the transportation staff with the intention of developing a set of guidelines where citywide DCs may be an appropriate funding source. Staff note that several projects which have been considered for funding via Citywide DCs were not included in the DCP due to conflict with other funding sources (for example Cameron Road Stage 1 funded via IFF) or due to uncertainty regarding timing of delivery.

Changes to West Bethlehem local DCs

19. The capital expenditure budgets that form the basis of the West Bethlehem charge have not changed materially since 2024/25. Rather, the DC has increased due to a reduction in subsidy for this catchment.

20. The West Bethlehem local DC has had a subsidy applied to it for many years. This subsidy was introduced to assist in progressing development in this area as Council considered the charge to be prohibitively high when introduced. The subsidy was structured to reduce year-on-year causing the DC to increase by roughly 6.5% annually.

21. Over time, the charge for each asset class (transport, water supply, etc) will return to the full capital expenditure budget. This has now occurred for the reserves activity. The DC for reserves is increasing by 1% (rather than 6.5%) this year. TCC only charges reserves DCs to residential development. The lower increase in reserves has resulted in a net DC increase of 5% rather than 6.5% for West Bethlehem residential.

22. Staff anticipate 2025/26 will be the final year that the subsidy is applied with capital expenditure being fully charged from then on.

New catchments

23. The draft DCP also includes three new catchments, as detailed below.

24. Tauriko Business Estate Stage 4 – this is a proposed extension to the existing Tauriko Business Estate. This stage covers approximately 108ha of industrial zoned land. This area is expected to be developed in two stages with the first stage, TBE 4A, ready to commence and the second stage, TBE 4B, reliant on delivery of substantial infrastructure upgrades in future. Enabling infrastructure for TBE 4A is expected to be largely funded and delivered by the land developer. Local DCs are being collected to fund delivery of infrastructure external to the development as well as projects in the 4B area where there are a larger number of landowners.

25. Tauriko West – this is a large-scale urban development in the west of Tauranga. Stage 1 of the development is proposed to deliver 2,400 dwellings. As for Tauriko Business Estate Stage 4, the majority of internal infrastructure will be delivered by the land developers. Local DCs are primarily being collected to fund delivery of community infrastructure and works external to the development. The first stage of the Spine Road (the main collector road running through the development) may also be included in the local DC depending on the outcome of public consultation and Council decision-making. This project has been included to help the landowners transition through the ongoing uncertainty regarding Kainga Ora's land ownership review regarding its interests in Tauriko West.

26. Upper Ohauiti – this is a proposed residential development immediately within the southern boundary of the existing Ohauiti local DC catchment. TCC is proposing to carve this area out of the existing catchment and create a new catchment. TCC's preferred funding approach would be for a developer to fund all internal infrastructure and to enter into a contractual arrangement regarding contributions to infrastructure upgrades external to the development, however this is not possible at this time. Development of this land is highly uncertain, so TCC is preparing a new development contributions catchment. This will provide clarity to potential future developers of the land that local DCs will be payable. As these projects are not currently in TCC's Long-Term Plan, staff will include these in the next draft (to apply from 2027). Once included, DCs can and will be charged for development.

27. The draft local DC for each catchment is set out in the table below.

Catchment	**Draft DC 2025/26 ($)**	**Unit**
Tauriko Business Estate Stage 4A	454,163	Per Hectare
Tauriko Business Estate Stage 4B	902,067	Per Hectare
Tauriko West	202,736	Per Hectare
Upper Ohauiti	11,668	Per Lot

28. Further detail on each catchment and the rationale for the introduction of three new local catchments is set out in recent reporting to the City Futures Committee on 17 February 2025 (*2025/26 Development Contribution Policy – Growth Funding Opportunities, A17324583*).

Proposed changes to DCP wording

29. Staff have proposed a number of wording changes to improve the readability and efficacy of the DCP. The key changes are summarised below.

30. The definition of “bedroom” has been updated. There has not been a substantive change in TCC’s intent. The new wording clarifies which spaces in a house will be treated as a bedroom for the purposes of the citywide DC. Some confusion had arisen this year regarding rooms which are labelled as media room, study, snug or another similar purpose. TCC has updated the DCP to clarify that these rooms will be treated as bedrooms where they are able to be separated from the rest of the house and are larger than 5 sqm. This change reflects the definition currently used by Hamilton City Council.

31. The definition of “allotment” has been updated. Again, there has not been a substantive change in TCC’s intent. The change is to clarify that local DCs will be charged in circumstances where a developer amends their land title without subdividing. This is uncommon but the wording has been updated to clarify TCC’s intention to charge DCs in these scenarios.

32. Staff have updated the DCP to ensure the paragraphs that set out TCC’s approach to DC deferrals for subdivision and building consent are aligned. Last year the wording for building consents was updated and the same update should have been made to the resource consent section but was not.

33. Staff have updated the DCP to clarify the situations where a financial contribution will be charged instead of a DC. The DCP and City Plan should be aligned on this matter, but differences have arisen over time in the language used which has created confusion for the developer community. The DCP wording is proposed to be updated to align with the City Plan.

34. The description of the methodology for charging DCs for community infrastructure has been updated to provide more detail on how TCC calculates DC charges for these assets.

35. The description of the methodology for charging DCs for wastewater has been updated. This year TCC has grouped together a collection of wastewater upgrades planned for Te Maunga Wastewater Treatment Plant. These were previously funded on individual capacity lives. These are now grouped together, two new projects have been added to the DCP, and these projects are being funded based on the capacity life they have together.

36. Growth projections have been updated for citywide DCs to reflect the Long-Term Plan 2024-34 growth projections. Local DC projections have not changed. Staff intend to revisit growth projections across all catchments following the next SmartGrowth review expected at the end of 2025.

37. Other changes have been made to implement the matters discussed in this report (for example, introduction of new catchments).

STATUTORY CONTEXT

38. The Local Government Act 2002 requires TCC to update its DCP at least every three years. The DCP was last updated in 2024/25 so we are well within that threshold.

STRATEGIC ALIGNMENT

39. This contributes to the promotion or achievement of the following strategic community outcome(s):

	Contributes

We are an inclusive city	☐
We value, protect and enhance the environment	☐
We are a well-planned city	✓
We can move around our city easily	☐
We are a city that supports business and education	☐

40. A robust, comprehensive and transparent DCP encourages trust from developers in TCC and assists in their planning of developments. DCs are a key funding source to deliver growth-related infrastructure. This enables planned growth to occur in a manner that is supported by appropriate infrastructure and associated services.

OPTIONS ANALYSIS

41. **Option 1: Approve the proposed changes to the draft DCP 25/26 (recommended)**

Advantages	Disadvantages
• Complies with legislative requirement to ensure the development contributions policy aligns with TCC's Annual Plan • Ensures TCC is maximising development contributions revenue using up to date budgets and finance assumptions • Equitably shares the cost of growth infrastructure in new catchments with developers in those catchments rather than funding these costs through general rates.	• Increases the cost of many development contribution charges which will make development more expensive overall

42. Option 2: Do not approve some or all of the proposed changes

The advantages and disadvantages of this approach are inverse to those of option 1.

FINANCIAL CONSIDERATIONS

43. The changes proposed to the operative DCP will provide financial benefits to Council and ratepayers while ensuring the costs of growth are shared among developers.

44. Three new catchments are proposed and the associated development contributions revenue will fund growth projects. It will also ensure development contributions are calculated with reference to the latest cost estimates to minimise the risk of under collecting based on lower, outdated cost estimates.

45. Funding the growth share of capital expenditure through development contributions ensures that those who cause and benefit from growth infrastructure are contributing equitably towards the associated expenditure and thereby minimises reliance on debt funded by general rates.

LEGAL IMPLICATIONS / RISKS

46. There are no particular legal implications or risks associated with the decision to incorporate these changes into the draft DCP for consultation.

SIGNIFICANCE

47. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal

or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.

48. In making this assessment, consideration has been given to the likely impact, and likely consequences for:

    (a) the current and future social, economic, environmental, or cultural well-being of the district or region

    (b) any persons who are likely to be particularly affected by, or interested in, the matter.

    (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.

49. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the matter is of medium significance.

ENGAGEMENT

50. TCC will publicly consult on the draft DCP alongside the draft AP from 28 March 2025 to 28 April 2025. Staff will also engage with directly impacted people and stakeholder groups alongside public consultation.

NEXT STEPS

51. Staff will implement a communications plan to ensure stakeholders have an opportunity to learn of the proposed increase to development contribution charges in advance of consultation.

52. The draft DCP is proposed to be open for formal consultation at the same time as the draft AP consultation document.

53. The outcome of consultation is currently scheduled to be reported to Council in late May 2025.

ATTACHMENTS

1. Statement of Proposal - A17628129 ⇩

Statement of Proposal:
2025/26 Development Contributions Policy

Tauranga City Council is proposing to adopt a new Development Contributions Policy.

We review the Development Contributions Policy every year. This is to ensure that the policy aligns with funding decisions made by the Council when it reviews its annual/long term plan.

A copy of the draft 2025/26 Development Contributions Policy is available online at www.tauranga.govt.nz/development-contributions

Public consultation on the draft Development Contributions Policy will be open from 28 March to 28 April 2025. You can make a submission online at tauranga.govt.nz or by post to: Attn: Growth Funding, Tauranga City Council, Private Bag 12022, Tauranga 3143.

The key changes proposed to the policy

Citywide development contributions for residential development are proposed to increase by 15%. The new charge for a 3-bedroom dwelling will be $34,169 (excluding GST) which is an increase of $4,468.

Key Drivers

- Community infrastructure (+ 8.5%) – this increase is primarily driven by an increase in growth funding for the central library following the removal of the assumed Te Manawataki o Te Papa Infrastructure Funding and Financing levy
- Wastewater infrastructure: (+ 4.9%) – this increase is primarily driven by an increase in the cost of capital (i.e. interest costs on debt) for wastewater assets. This is a result of collection for a number of assets ending and collection starting for new assets.

Updates to local development contribution charges

All the capital expenditure budgets for residential local development contribution projects have been updated. The table below shows the proposed local development contributions and movements compared to last year.

Table 3 Local development contributions		Final DC excl GST	2024/25 Fee excl GST	$ Change	% Change
Bethlehem	Per lot	12,647	12,889	- 242	-1.9%
Ohauiti	Per lot	11,595	11,569	26	0.2%
Upper Ohauiti	Per lot	7,548	-	7,548	N/A
Papamoa	Per lot	7,784	8,036	- 252	-3.1%
Pyes Pa	Per lot	7,275	7,252	23	0.3%
Pyes Pa West	Per lot	40,260	40,525	- 265	-0.7%
Tauranga Infill	Per lot	3,997	3,997	- 0	0.0%
Tauriko	Per hectare	365,540	363,195	2,345	0.6%
Tauriko - Pond B	Per hectare	438,996	436,651	2,345	0.5%
Tauriko - Pond C	Per hectare	413,595	411,250	2,345	0.6%
Tauriko (Stage 4) - Tranche 1	Per hectare	454,163	-	454,163	N/A
Tauriko (Stage 4) - Tranche 2	Per hectare	902,067	-	902,067	N/A
Tauriko West	Per hectare	202,736	-	202,736	N/A
Te Papa Infill (South)	Per lot	8,963	8,953	10	0.1%
Te Papa Infill (North)	Per lot	6,068	6,058	10	0.2%
Wairakei A	Per hectare	561,130	585,566	- 24,436	-4.2%
Wairakei B	Per hectare	406,381	405,351	1,030	0.3%
Wairakei C	Per hectare	743,347	733,578	9,769	1.3%
Welcome Bay	Per lot	9,185	9,124	61	0.7%
West Bethlehem	Per lot	32,565	31,011	1,554	5.0%
West Bethlehem	Per hectare	439,633	418,646	20,987	5.0%

Key Drivers of change for local DCs

- **West Bethlehem [+5% for residential, +6.4% for non-residential]**
    - The development contributions subsidy that applies in this catchment is reduced each year resulting in an increase in DC charges. This subsidy is now coming to an end with 2025/26 expected to be the final year a subsidy is applied.

Introduction of three new local development contribution catchments

New local development contribution charges are proposed for Tauriko Business Estate Stage 4, Tauriko West and Upper Ohauiti.

Tauriko Business Estate Stage 4

This is a proposed industrial development forming an extension of the existing Tauriko Business Estate. The local development contribution is proposed to fund transport and waters infrastructure and will apply on a per hectare basis to development in Stage 4 of the Tauriko Business Estate.

The charge for the first phase of development (known as TBE 4A) is more certain. Development in the second phase (known as TBE 4B) is less certain as it is likely to include charges for significant infrastructure upgrades which are currently at a very early stage of development.

The draft charges for each phase of the development are set out below.

Catchment	Draft DC 2025/26 ($)	Unit
Tauriko Business Estate Stage 4A	454,163	Per Hectare
Tauriko Business Estate Stage 4B	902,067	Per Hectare

Tauriko West

This is a large scale urban development. Development is expected to be largely residential. Local DCs will collect for community infrastructure and wastewater assets external to the development. Most, if not all, internal transport, waters and open space infrastructure is expected to be delivered and funded by the land developers.

TCC is seeking feedback on including a small stretch of the collector road at the northern end of the development in the local development contribution catchment. This was intended to be funded by the developers themselves. However, not all developers are ready to proceed and willing to invest their fair share of funding for this asset at this time. In order to deliver the asset, all three main landowners must commit to funding. TCC is consulting on whether it should meet some developers share of this investment and recoup this expenditure through development contributions charged on their land.

The draft charge is $202,736 per hectare. TCC expects to apply this charge on a per hectare basis and will do so once earthworks consents are granted and Council has a clearer idea of the likely developable area.

Upper Ohauiti

This is a proposed residential development within the existing boundaries of the Ohauiti local development contribution catchment. It is proposed this area would be carved out of the Ohauiti catchment and a new catchment, Upper Ohauiti, would be created. Local development contributions for this catchment would fund wastewater infrastructure. Other necessary enabling infrastructure would be funded directly by the developer (for transport investment) or as part of the citywide development contributions charge (for water supply upgrades).

TCC's preferred approach is to negotiate these matters contractually with the proposed developer and landowner. In this event this is not possible, the charges will be applied through the Development Contributions Policy.

The draft charge is $11,668 per lot. TCC expects to apply this charge on a per hectare basis and will do so once earthworks consents are granted and Council has a clearer idea of the likely developable area. In the event a development agreement is entered into, Council expects to remove this catchment from the Development Contributions Policy.

Funding options available to the Council

The discussion below is an analysis of the reasonably practical funding options which Council could use to fund growth-related capital expenditures.

Option 1: Charge Development Contributions under the Local Government Act 2002

Population and urban growth of the city is the reason much of Council's capital expenditure needs to be undertaken. As the cause of this expenditure, it is fair that a significant portion of this cost is recovered directly from the development community through the collection of development contributions. While this does create a significant upfront cost for development, if these costs were not funded by development, the main alternative would be to increase rates by a substantial amount. Council's view is that this would impose an unfair financial burden on the ratepayers of the city.

Option 2: Financial contributions under the Resource Management Act 1991

Financial contributions are similar to development contributions but charged under the Resource Management Act 1991 through a condition of a resource consent. The financial contribution system, and each individual financial contribution charge, are open to appeal through the Environment Court. Use of financial contributions adds cost, time and creates a high level of uncertainty for Council. For these reasons, development contributions are preferred in most cases to financial contributions. Tauranga City Council still uses financial contributions in limited circumstances which are specified within the development contributions policy and in the Tauranga City Plan.

Option 3: Rates-funded loans

This would involve growth-related capital expenditure being funded in the same manner as most of Council's other capital expenditure – through loans that are repaid through the collection of rates. This would impose the cost of growth-related capital expenditure on the whole community rather than targeting the funding of these costs at the growth community which have caused these costs to be incurred.

Option 4: Targeted rates

This would be similar to development or financial contributions in the sense that funding would still be targeted at the growth community. The primary difference is that development contributions are charged upfront whereas the targeted rate would recover the costs over a lengthy period of time. This option would increase rates on new properties by a significant amount for an extended period (e.g. doubling a property's rates bill for 20 years). This is unlikely to be popular and may cause Council difficulties in the future when properties are sold to new owners. This has been Council's experience to date with a relatively modest targeted rate in The Lakes development. It should also be noted that Council has not fully explored the details associated with implementing this type of targeted rate under the Local Government (Rating) Act 2002, and some legal impediments may exist.

Option 5: Levies under the Infrastructure Funding and Financing Act

The new Infrastructure Funding and Financing Act 2020 introduced a funding tool which Council has considered in consultation with the community. This funding method could be used as an additional method to fund growth-related infrastructure costs in the future. The levies could work in a similar manner to targeted rates from a property owner's perspective but the benefit to the Council is that the financing would be off Tauranga City Council's balance sheet.

Key dates

Consultation: 28 March 2025 – 28 April 2025
This is when we want to hear from you. All submissions are due by 5pm on Monday, 28 April

Hearings: 12 – 16 May 2025
This is your chance to talk about what you've told us

Deliberations: 26 May – 5 June 2025
This is when Councilors consider all the feedback from the community

2025/26 Development Contributions Policy adoption: 26 June 2025
After considering the feedback received, Councilors make a final decision on the changes to the Development Contributions Policy and adopt the new policy for 2025/26.

New fees applied: 1 July 2025

Have your say

Send us your feedback by 5pm on Monday, 28 April 2025. You can share your views by any of the methods below.

Fill in a submission form

Use the online Annual Plan submission form or download a pdf version of the submission form at Tauranga.govt.nz

or

Pick up a paper copy from our customer service centre (He Puna Manawa – 21 Devonport Road) or your local library.

Send it to us

Drop your submission form into our customer service centre or to your local library.

Send an email with your submission and any attachments to submissions@tauranga.govt.nz

Post your form to (no stamp required):

Freepost authority number 370
DC Policy 2025/26
Tauranga City Council
Private Bag 12022
Tauranga 3143

11.2 Adoption of Supporting Material and Consultation Document - Annual Plan 2025/26

File Number: **A17481391**

Author: **Josh Logan, Team Leader: Corporate Planning**
Kathryn Sharplin, Manager: Finance
Tracey Hughes, Financial Insights & Reporting Manager

Authoriser: **Paul Davidson, Chief Financial Officer**

PURPOSE OF THE REPORT

1. In accordance with the Local Government Act 2002, Council is required to produce and adopt an annual plan by 30 June 2025.
2. To present the supporting documentation and consultation document for the Draft Annual Plan 2025/26 for adoption.

RECOMMENDATIONS

That the Council:

(a) Receives the report "Adoption of Supporting Material and Consultation Document - Annual Plan 2025/26".

(b) Agrees to the overall rates increase for the consultation document at 12% after growth.

(c) Notes that the additional rates funded savings to be sought of $8.3m (equivalent to 2.5% decrease in rates), to be considered for inclusion in the 2025/26 Annual Plan, with further savings targets pursued through the 2026/27 annual plan and subsequent annual or long-term plans, has reduced to $6.7m due to higher growth assumptions.

(d) Adopts the Draft Annual Plan 2025/26 supporting financial information.

(e) Adopts the Draft User Fees and Charges 2025/26 schedule and statement of proposal. Noting that the fees schedule will be updated to reflect the decision on the licence to occupy fees from the paper on this same agenda titled "Street Dining License to Occupy Implementation Plan."

(f) Adopts the Draft Annual Plan 2025/26 consultation document (CD) for public consultation from 28 March to 28 April 2025.

(g) Authorises the Chief Executive to approve minor drafting, financial and presentation amendments to the Draft Annual Plan 2025/26 consultation document and any supporting documentation prior to printing if necessary.

EXECUTIVE SUMMARY

3. On 24 February, the Council considered a draft annual plan for 2025/26, proposing a capital programme of $506 million and a baseline operating budget increase of 12.5%, with an option for a 10% rate increase. Subsequent meetings on 3 and 11 March refined these proposals, focusing on expenditure reductions and user fee adjustments to manage the financial situation.
4. Final preparation of the financial data after review has reduced the rates increase after growth to 12%, with growth assumed at 0.5%. This is below the level for year 2 of the 2024-

34 Long-term Plan (LTP) and within the rates increase limit of the financial strategy which is 12%.

5. Attached to this report is the draft consultation document with supporting information and the user fees and charges documentation also for consultation, which are to be adopted in this report.

BACKGROUND

6. On 24 February, staff presented a paper titled "Draft Annual Plan 2025/26 - Decision Making" for Council's consideration that sought agreement to a total capital programme of $506m and a baseline operating budget of 12.5% pending further work to present a 10% rate increase option (after growth) for Council consideration.

7. The financials presented to 24 February Council meeting included a significant organisational reset to bring total rates requirement within the limits set by the 2024-34 Long-term Plan while fully funding depreciation increases which had not been included in the 2025/26 budget.

8. On 3 March, Council was presented with two reports with options to address Council's current financial situation. Reports – "Draft Annual Plan 2025/26" and "Draft Annual Plan 2025/26 - value-for-money options", were considered.

9. Council considered the draft annual plan paper that provided further options to reduce expenditure and raise user fee revenue, consistent with an option for Councils consideration of a rates increase for 2025/26 of less than 10%. Decisions made at this meeting were to result in a final draft plan to be considered by council at an extraordinary council meeting on 11 March.

10. That paper also sought further consideration of proposals for user fees and ultimately adoption of the revised schedule of user fees and charges.

11. In the value for money options report council considered nine potential options for reductions to councils operating budgets but only chose to implement three of these options:

    - Keeping the rubbish collection targeted rate at the same level as 2024/25
    - Removing the consultancy budget for Smart Trip
    - Removing the consultancy budget for planning for housing for Pōteriwhi.

12. Council considered the final paper titled "Draft Budget and Rating Policy for the Annual Plan Consultation" to adopt a draft budget on 11 March and resolved to:

    a) *Receive the report "Draft Budget and Rating Policy for the Annual Plan Consultation".*

    b) *In respect of the draft operating budget and rates requirement for consultation:*

        (i) *Agrees to an overall rates increase after growth arising from the proposed budget of 12.5% noting that this includes up to $1.3m of additional placeholder budget savings to be identified in budgets prior to the adoption of the annual plan,*

    c) *Agrees that additional rates funded savings be sought of $8.3m (equivalent to 2.5% decrease in rates), to be considered for inclusion in the 2025/26 Annual Plan, with further savings targets pursued through the 2026/27 annual plan and subsequent annual or long-term plans.*

    d) *In respect of rating policy, agrees to continue with the Long-term Plan decision to move to a fixed proportion of the general rates for each rating category and change the proportions for the residential rating category to 65%, the Commercial rating category to 15% and the industrial rating category to 20% by the 2027/28 rating year.*

    e) *Agrees for the 2025/2026 rating year the allocation of the general rates will be:*

- *Residential category 66%*
- *Commercial category 14.8%*
- *Industrial category 19.2%*

f) *Agrees the commercial and industrial rating category general rates allocation of 15% and 20% will be fully phased in by the 2027/2028 rating year.*

g) *Notes that a rates increase of 12.5% is 0.5% higher than the rates limit adopted in the financial strategy of the 2024/34 Long Term Plan however that limit excluded the second Infrastructure Funding and Financing levy of 2.2%.*

h) *That Council establishes a working group comprising the Mayor, Deputy Mayor, CE, CFO and councillors to undertake a detailed review of operational costs and service levels. The purpose of the working group is to identify further cost savings to reduce the proposed rates increase. The working group will report back with recommendations prior to the adoption of the Annual Plan 2025/26.*

13. The draft Annual Plan 2025/26 has been produced in line with the resolutions from 11 March. A Consultation Document (CD) has been produced accordingly which aims to consult with the community regarding Council's preferred approach for 2025/26 and what are the communities' priorities are for council spending so that we can best position ourselves for future years.

SUPPORTING FINANCIAL INFORMATION

14. The attached supporting financial information provides the information that is relied upon in the content of the proposed consultation document. There has been amendment to the financials after review and final adjustments with the rates increase after growth at 12%, and 0.5% growth assumed. The rate impacts presented on 11 March were based on the updated financials. The adjustments also reduce the additional savings required to reach a 10% rates increase after growth. The initial $8.3m savings requirement would be reduced to $6.7m.
15. The supporting financial information sets out the updated financial reports and how these compare to those presented in the 2024-34 Long Term Plan (LTP). The proposed Annual Plan budget for 2025/26 is based on year two of the LTP. The 12% rate increase is less than that in the LTP (taking into account the Infrastructure Funding and Financing Levy in the LTP) and is consistent with the rates limit in the financial strategy.
16. The supporting financial information will be made publicly available on our website in order to provide the community access to the financial detail relied upon in the consultation document.

CONSULTATION DOCUMENT

17. The purpose and content of the annual plan consultation document is set out in section 95A of the Local Government Act 2002. It must provide a basis for public participation in decision-making, identifying significant or material differences between the proposed annual plan and the content of the LTP for the relevant financial year.
18. Given the significance of council's budget challenges and the changes to our finances since adopting the LTP, along with the proposed rates increase, the Annual Plan 2025/26 will go through consultation to enable Council to obtain feedback from the community regarding its preferred approach for 2025/26. It is also going to be used as a chance for the newly elected Council to ask for community feedback about its spending priorities so that it can help inform future planning.

STATEMENTS OF PROPOSAL

19. The attached Statement of Proposal – User Fees and Charges 2025/26 presents the proposed changes to the User Fees and Charges for year 2025/26. These were approved

as the basis for consultation by Council on 3 March. These will be consulted on alongside the Annual Plan 2025/26 with a reference to these processes included in the CD.

20. The Statement of Proposal – Development Contributions Policy 2025/26 will also be considered by Council for adoption at this meeting through Report – Draft Development Contributions Policy 2025/26.

STATUTORY CONTEXT

21. This report forms part of the requirements under the Local Government Act 2002 in preparing an annual plan for consultation.

STRATEGIC ALIGNMENT

22. This contributes to the promotion or achievement of the following strategic community outcome(s):

	Contributes
We are an inclusive city	✓
We value, protect and enhance the environment	✓
We are a well-planned city	✓
We can move around our city easily	✓
We are a city that supports business and education	✓

23. Fair and equitable funding of council's investment in services and infrastructure through a proportional allocation of rates liability on the whole community will contribute to all of the above outcomes.

OPTIONS ANALYSIS

24. This report brings together for the purposes of consultation prior decisions of Council, so no options are presented as part of this report

FINANCIAL CONSIDERATIONS

25. The annual plan set out the financial implications for the Council of the proposals in the consultation document. Further information is provided in supporting documentation which is referenced in the consultation document.

LEGAL IMPLICATIONS / RISKS

26. In accordance with the Local Government Act 2002, Council must consult with the community if the annual plan includes significant or material differences from the content of the LTP for the financial year to which the proposed annual plan relates.

CONSULTATION / ENGAGEMENT

27. The Annual Plan will go through consultation to enable Council to obtain feedback from the community regarding its preferred approach for 2025/26 along with questions on the community's opinion on what Tauranga City Council biggest funding priorities for the future are so we can incorporate these into our future planning.

28. The proposed updates to the User Fees and Charges and to the Development Contributions Policy require consultation under the LGA and other Acts.

29. Consultation will take place between 28 March 2025 and 28 April 2025. Consultation on the Council's preferred option for Local Waters Done Well, Statement of Proposals for User Fees and Charges and for the Development Contributions Policy will be held concurrently.

30. Hearings and deliberations will also be held in May 2025.

SIGNIFICANCE

31. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.

32. In making this assessment, consideration has been given to the likely impact, and likely consequences for:

    (a) the current and future social, economic, environmental, or cultural well-being of the district or region

    (b) any persons who are likely to be particularly affected by, or interested in, the decision.

    (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.

33. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decision is of high significance as it has high financial consequences, large consequences for the city and is of high public interest.

ENGAGEMENT

34. Taking into consideration the above assessment, that the annual plan is of high significance, the consultation document will go out for public consultation using the principles of consultation under Section 82 of the Local Government Act 2002 (LGA). This will be for a period of one month, from 28 March to 28 April 2025.

35. Consultation on the Statement of Proposals for User Fees and Charges, and for the Development Contributions Policy will be held concurrently with the annual plan.

NEXT STEPS

36. The consultation document and supporting documents will be published on 28 March 2025.

37. This will be followed by hearings on 13-15 May 2025, deliberations on 26-30 May and 5 June 2025 and final adoption of the annual plan on 26 June 2025.

ATTACHMENTS

1. **25-26 AP - What This Means for Rates - Supporting Information - A17716785** ⇩
2. **25-26 User Fees and Charges Statement of Proposal and Schedule - For Consultation - A17715995 (Separate Attachments 1)**

What this means for rates

Funding Impact Statement (FIS)

The purpose of the funding impact statement is to provide information about the income and funding streams Council will use and an indication of the amount of funding Council will generate from each stream.

Council will use a mix of revenue sources to meet operating expenses, with major sources being general and targeted rates, land transport subsidies and fees and charges. Capital expenditure for new works will be funded from loans and development contributions, with capital renewals being funded from reserves (funded by rates) set aside for this purpose. Council has resolved to rate fund reserves for stormwater and risk management and to fund a depreciation reserve for Bay Venues Limited.

Where the revenue stream is rates an indicative level of rate, the mechanism used to assess the rate, and the activities that the rate funds, is described.

These indicative figures support the calculations in the rate sample models and are included to provide you with an indication of the level of rates Council are likely to assess on your rating unit in the coming year. So long as we set the rates in accordance with the system described in this statement, the amounts may change.

Rating information

The Funding Impact Statement should be read in conjunction with the Revenue and Financing Policy contained in the Long-term Plan. This can be obtained from our website.

Overview of rates

Council's rates, pursuant to the Local Government (Rating) Act 2002, for the 2025/26 year includes:

- A general rate set differentially • A uniform annual general charge
- A targeted rate for economic development
- A targeted rate for stormwater set differentially
- A targeted rate for resilience set differentially
- A new targeted rate for Urban Infrastructure –Pyes Pa West
- Targeted rates for urban growth
- Targeted rates for waste services
- Targeted rates for wastewater disposal
- Targeted rates for water supply
- A targeted rate for pool inspection
- Targeted rates for mainstreet activities
- Targeted rates for special services

As indicated above, there are several parts to a typical rates bill, some of which are fixed and others variable. The fixed rates (where everybody is charged the same amount) are:

- Wastewater rates – if you are or can be connected to council's wastewater system you will incur this fixed rate.
- Uniform Annual General Charge (UAGC) – this rate, charged on every separately used or inhabited part of a rating unit, ensures a minimum contribution from every ratepayer in the city.
- Waste Service rate – if you have a residential use and receive kerbside waste collection services you will incur this fixed rate per capacity of bins provided is charged on every separately used or inhabited part of a rating unit.
- Garden Waste Service rate – if you have a residential use and receive kerbside garden waste collection service (optional) you will incur this fixed rate per bin provided, and frequency of collection.
- Urban Growth rate – if your property is in an area where urban growth costs provide a full, wide or city benefit you will pay this rate.

The variable rates (where you are charged differently from your neighbour) are:

- General rates – Council is setting this differentially which will mean that Industrial ratepayers will have a higher general rate in the dollar than commercial ratepayers who will have a higher general rate in the dollar than residential ratepayers. This is to balance the overall impact of rates allocation for revenue needs on the whole community
- Economic development rate – this is a rate charged to commercial and industrial properties only for development of Tauranga's economy
- Mainstreet rates – commercial properties located within the four 'main street' areas in Tauranga City incur this rate for the continued delivery of their Mainstreet organisation programmes
- Water rates – water rates are invoiced separately from your land rates bill. The amount charged is dependent on the amount of water used, and the • connection size of the water meter supplying water service to a rating unit
- Special services targeted rates – these are rates to The Lakes, Pāpāmoa Coast and Excelsa subdivisions in the city where the level of service required to maintain the subdivision is higher than usual across the city
- Urban Infrastructure rate – if your property is in the Pyes Pa West area you will pay this new rate which part funds infrastructure.
- Resilience targeted rate – this is a rate for resilience infrastructure investments relating to water, wastewater, stormwater, transportation and emergency management
- Stormwater targeted rate – this is a rate set differentially for existing and new stormwater and flood control infrastructure investments.

Where Council sets a targeted rate differentially this means that commercial and industrial ratepayers will have a higher targeted rate in the dollar than residential ratepayers. Council sets the Uniform Annual General Charge, and other targeted rates set on a uniform basis, excluding wastewater, to 10% of the total rates requirement over the next three years. This means that more of your rates bill will be based on your property value. Rates will be progressively higher for higher value properties. This will assist affordability for ratepayers, while ensuring that all ratepayers contribute a minimum amount for the services provided by Council.

The rates in this funding impact statement will apply in respect to every year in this Long-term

Plan, notwithstanding that the amounts may change.

Rating base information

RATES FOR THE 2025/26 YEAR				
Description	**Category**	**Factor**	**Rate ($) (GST Inclusive)**	**Revenue Sought ($000's) (GST exclusive**
City Wide General Rates				
General Rate (residential)	All residential property	Capital Value	0.00268551	148,722
General Rate (commercial)	All commercial property	Capital Value	0.00604240	35,386
General Rate (Industrial)	All Industrial property	Capital Value	0.00731264	47,503
Uniform Annual General Charge	All rateable property	Fixed amount per SUIP*	333.00	20,352
City Wide Targeted Rates				
Economic Development	All commercial and industrial property	Capital Value	0.00035544	4,389
Stormwater (Residential)	All residential property	Capital Value	0.00000665	368
Stormwater (Commercial and Industrial)	All commercial and industrial property	Capital Value	0.00001065	132
Resilience (Residential)	All residential property	Capital Value	0.00001704	943
Resilience (Commercial and Industrial)	All commercial and industrial property	Capital Value	0.00002726	337
Urban Growth	All rateable property in catchment area	Fixed amount per rating unit per catchment area	Full benefit-$106.63 Wide benefit-$71.08 Rest of city-$35.54	2,372
Urban Infrastructure - Pyes Pa West	All rateable property in catchment area	Fixed amount per rating unit per catchment area	81.4774077	176.558
Service Targeted Rates				
Waste Collection Low	Residential Serviced	Fixed amount per SUIP*	210.00	758
Waste Collection Standard	Residential Serviced	Fixed amount per SUIP*	245.00	11,441
Waste Collection High	Residential Serviced	Fixed amount per SUIP*	350.00	522
Garden waste (optional)	Residential Serviced	Fixed amount per Service (Bin) and Frequency	4 weekly-80 2 weekly-110	1,430
Wastewater	Connected	Fixed Amount per water closet/urinal	788.74	52,567
Wastewater	Serviceable	Fixed Amount per SUIP*	394.37	613
Water (metered)	Connected/Supply	Fixed amount per m3 of water supplied	3.87	42,708
Water (metered base charge)	Connected	Fixed Amount per number and size of meter connections	Base meter size (15mm) 41.17 up to (200mm) 1,565.71	2,772
Water (unmetered)	Unmetered Supply	Fixed amount per SUIP	1006	28
Pool Inspection	Rateable unit with pool inspection	Fixed amount	107	288
Level of Service Targeted Rates				
Tauranga Mainstreet	Commercial and industrial in catchment area	Capital Value	0.00045248	398

RATES FOR THE 2025/26 YEAR				
Description	Category	Factor	Rate ($) (GST Inclusive)	Revenue Sought ($000's) (GST exclusive
Mount Mainstreet	Commercial and industrial in catchment area	Capital Value	0.00062329	208
Greerton Mainstreet	Commercial and industrial in catchment area	Capital Value	0.00146105	156
Papamoa Mainstreet	Commercial and industrial in catchment area	Capital Value	0.00037003	73
The Lakes	All rateable in catchment area	Fixed amount	117.40	182
Coast Papamoa	All rateable in catchment area	Fixed amount	38.72	10
Excelsa	All rateable in catchment area	Fixed amount	50.78548387	4
Total Revenue Requirement (minus metered water)				**332,104**
Total Revenue Requirement (including metered water)				**374,839**

*(Note: SUIP= Separately Used or Inhabited Part)

The projected number of rating units is 63,998 with a total land value of $51,473 Million and a total capital value of $85,329 Million (valued as at 1 May 2023)

Funding Impact Statement (Rating)

Rating Methodology (FIS)

CATEGORIES

Residential - land for which the primary use is residential, rural, education, recreation, leisure or conservation.

Industrial – land for which the primary use is industrial, port, transportation or utilities networks.

Industrial use freehold land with a land area of less than 250m2 and industrial use unit title or leasehold land with a building site cover of less than 250m2 are excluded from the Industrial Rating Category and are included in the Commercial Rating Category.

The general industrial rate and the targeted economic development rate are set and assessed on this category. *(Industrial is production, storage, processing or manufacturing).*

Commercial - land for which the primary use is commercial and includes any land not in the Residential or Industrial Category. The general commercial rate, the targeted economic development rate and the targeted mainstreet rates are set and assessed on this category. *(Commercial is professional services or an intermediary for selling a product).*

The **separated parts of a rating unit** will be separated into parts where a part of the property is non-rateable or the property fits under one or more rating differential.

Vacant land will be categorised according to the predominant zone in the City Plan.

Rural means primary production, or residential activity in Rural zones in the City Plan.

Education means educational establishment under schedule 1 Part 1 clause 6(a) and (b)(i)&(ii) of the Local Government (Rating) Act.

Recreation and leisure means community facilities as defined in the City Plan.

Conservation has the same meaning as under schedule 1 Part 1 clause 3 of the Local Government (Rating) Act.

RATING CALCULATIONS AND LUMP SUM CONTRIBUTIONS

The base for the general rate is Capital Value. The revenue sought by Council from the Uniform Annual General Charge and certain targeted rates set on a uniform basis, is to be assessed close to 10% of the total rates revenue to ensure that every ratepayer contributes a base level of rates irrespective of the property value or services used.

Lump sum contributions will not be accepted in respect of any targeted rate.

DEFINITIONS

A separately used or inhabited part of a rating unit includes any portion inhabited or used by the owner/ a person other than the owner, who has the right to use or inhabit that portion by virtue of a tenancy, lease, licence, or other agreement. This definition includes separately used parts, whether or not actually occupied at any particular time, which are used by the owner for rental (or other form of occupation) on an occasional or long term basis by someone other than the owner. For the purposes of this definition, vacant land and vacant premises offered or intended for use or habitation by a person other than the owner and usually used as such are defined as 'used'. This includes any part or parts of a rating unit that is used or occupied by the ratepayer for more than one single use.

The following are examples of where there may be application of multiple charges because a rating unit is comprised of more than one separately Used or Inhabited Part.

- Single dwelling with flat attached
- Two or more houses, flats or apartments on one Record of Title
- Business premises with flat above
- Commercial building leased, or sub-leased, to multiple tenants
- Farm or Horticultural property with more than one dwelling
- Council property with more than one lessee
- Individually surveyed lots of vacant land on one Record of Title offered for sale separately or in groups
- Where part of a Rating Unit that has the right of exclusive occupation when more than one ratepayer/owner

As a minimum, the land or premises intended to form a separately used or inhabited part of the rating unit must be capable of actual habitation or actual separate use. For a residential property to be classified as having an additional Separately Used or Inhabited Part (SUIP) it must have separate cooking facilities, living facilities and toilet/bathroom facilities. If the separate part is internal to the main building (under the same roof) it must also have separate external access. For avoidance of doubt, a rating unit that has only one use or inhabitation is treated as being one separately used or inhabited part of the rating unit.

For the purposes of the Kerbside Waste Collection Rate, the definition of SUIP is the same as above, except that:

- where a rating unit has two SUIPs (being one principal unit with another unit such as a flat or minor secondary dwelling); and
- the ratepayer notifies the Council that only one full set of glass, food, waste and recycling bins per *principal unit* is required to be provided; then the rating unit will be treated as having only one SUIP.

ALLOCATIONS OF PAYMENTS

Where any payment is made by a ratepayer that is less than the amount now payable, the payment will be applied firstly to any rates outstanding from previous rating years and then proportionately across all current year rates due.

The following rates are to be set and assessed on properties by Tauranga City Council for the 2025/26 year: (All figures are GST inclusive)

CITY WIDE RATES

1. GENERAL RATE

A general rate set under section 13 of the Local Government (Rating) Act 2002, on a differential basis, for the purposes of providing all or some of the costs of:

- City and Infrastructure Planning, Arts and Culture, Venues and Events, City Centre Development, Community Development, Libraries, Emergency Management, Animal Services, Building Services, Environmental Planning, Environmental Health and Licencing, Regulation Monitoring, Marine Facilities, Spaces and Places, Stormwater, Support Services, Sustainability and Waste and Transportation.

For the 2025/26 year this rate will be:

Category	Factor	Rate/$ capital value
Residential	1	0.00268551
Commercial	2.250	0.00604240
Industrial	2.723	0.00731264

Note: capital value represents the market value of land and improvements of a rating unit. The values are assessed by independent valuers who are audited by the Office of the Valuer General. City wide revaluations are performed every three years, with the last revaluation base date of 1 May 2023.

2. UNIFORM ANNUAL GENERAL CHARGE

A rate set under section 15 of the Local Government (Rating) Act 2002 on each separately used or inhabited part of a rating unit for the purposes of providing all or some of the costs of:

- The same costs as the general rate above.

For the 2025/26 year this rate will be $333.00 on each separately used or inhabited part of a rating unit within the City boundary.

TARGETED RATES

3. ECONOMIC DEVELOPMENT RATE

A targeted rate set under section 16 of the Local Government (Rating) Act 2002 on all commercial and industrial rating units in the City for purposes of providing costs of:

- Priority One, Tourism Bay of Plenty, the Visitor Information Centre and general economic development.

For the 2025/26 year this rate will be $0.00035544 per dollar based on the rateable capital value of all rateable land with a category “Commercial and Industrial” within the City boundary.

4. STORMWATER

A targeted rate set under section 16 of the Local Government (Rating) Act 2002, on a differential basis for the purposes of providing some of the costs of stormwater infrastructure investments.

From the 2025/26 year this rate will be:

Category	Factor	Rate/$ capital value
Residential	1	0.00000665
Commercial and Industrial	1.6	0.00001065

5. RESILIENCE

A targeted rate set under section 16 of the Local Government (Rating) Act 2002, on a differential basis for the purposes of providing some of the costs of resilience infrastructure investments in the water, wastewater, stormwater, transportation and emergency management activities.

From the 2025/26 year this rate will be:

Category	Factor	Rate/$ capital value
Residential	1	0.00001704
Commercial and Industrial	1.6	0.00002726

6. URBAN GROWTH (CITY WIDE AND LOCAL)

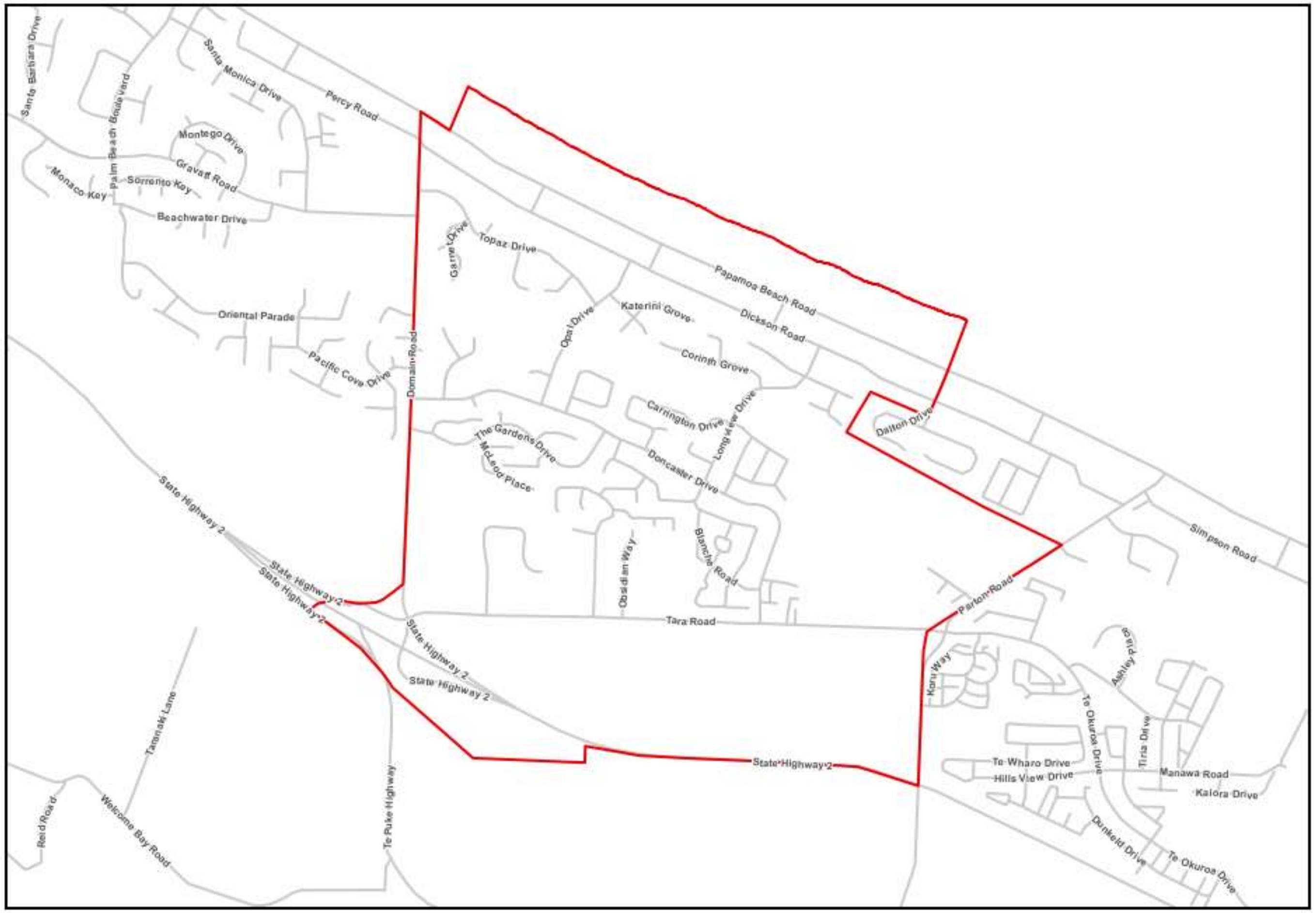
Partly funds debt retirement for transportation projects required to be constructed for current growth needs that will also provide for future growth.

For the 2025/26 year these rates will be (these rates depend on the catchment area where the rating unit is situated):

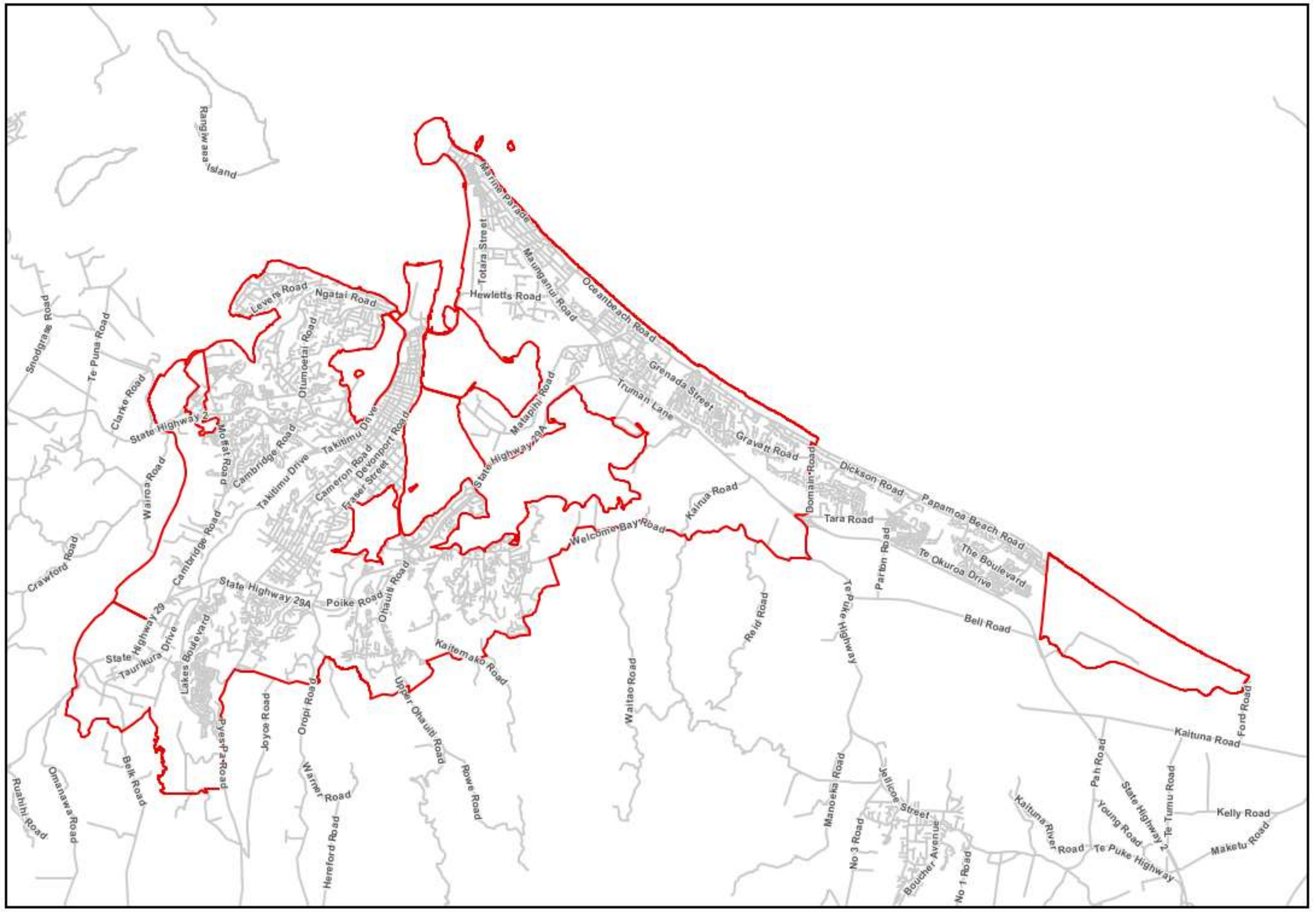
1. $106.63 on every rateable rating unit within full area of benefit (see map)
2. $71.08 on every rateable rating unit within wide area of benefit (see map)
3. $35.54 on every rateable rating unit in the City outside of the areas of full benefit or wide benefit (see map).

Urban Growth Targeted Rate Areas

Full area of benefit



Wider area of benefit



Remaining areas of the city

7. WASTE COLLECTION SERVICE (GLASS, FOOD, RECYCLING AND WASTE)

Targeted rates set under section 16 of the Local Government (Rating) Act 2002 on all rating units in the city that is used for residential purposes and is provided with the waste collection service, and set as a fixed amount per separately used or inhabited part of a rating unit, for the purpose of providing the costs of:

- waste collection in the city

For the 2025/26 year, these rates are as follows (the rate that applies will depend on the service selected by ratepayers).

Service	Bins per separately used or inhabited part	Fixed Rate
Waste Collection Standard	Glass (45L), Food (23L), Rubbish (140L), Recycle (240L)	$245.00
Waste Collection Low	Glass (45L), Food (23L), Rubbish (80L), Recycle (140L)	$210.00
Waste Collection High	Glass (45L), Food (23L), Rubbish 240L), Recycle (240L)	$350.00

8. GARDEN WASTE (OPTIONAL - RATEPAYERS OPT TO RECEIVE THIS ADDITIONAL SERVICE)

Targeted rates set under section 16 of the Local Government (Rating) Act 2002 on all rateable land in the city that is used for residential purposes and is provided with the garden waste collection service. There are two targeted rates, each set as a fixed amount per bin provided, up to a maximum of 1 bin per separately used or inhabited part of a rating unit. These rates fund the costs of:

- garden waste collection in the city

For the 2025/26 year, these rates are as follows (the rate that applies will depend on the frequency of collection selected by ratepayers).

Collection Frequency	Fixed Rate
4 weekly	$80.00
2 weekly	$110.00

9. WASTEWATER RATES

A targeted rate set under section 16 of the Local Government (Rating) Act 2002 on a differential basis on each serviceable or connected rating unit for the purposes of providing all or some of the costs of:

- Wastewater disposal and wastewater infrastructure

For the 2025/26 year this rate will be

1. $788.74 per water closet or urinal on every connected rating unit within the city boundary.
2. $394.37 per separately used or inhabited part of a rating unit which is serviceable within the City boundary.

“Serviceable” means any Rating Unit situated within 30 metres of a public wastewater or stormwater drainage scheme to which it is capable of being effectively connected, either directly or through a private drain, but which is not so connected.

“Connected” means any rating connected to a public wastewater or stormwater drainage scheme.

A rating unit used primarily as a residence for one household is treated as having not more than one water closet.

10. METERED WATER RATES

A targeted rate set under section 19 of the Local Government (Rating) Act 2002 per cubic metre of water supplied, as measured by cubic metre, and a differential targeted rate set under section 16 of the Local Government (Rating) Act 2002 per connection for every connected rating unit in the City which is provided with a metered water supply. The amount of the rate per connection depends on the size of the connection. This rate is for purposes of providing all or some of the costs of:

- Water supply and water infrastructure

For the 2025/26 year these rates will be:

1. $3.87 per cubic metre of water supplied
2. A fixed amount between $41.17 and $1,565.71 dependent on the size of the water meter connections, per connection.

Base charge meter connection size (mm)	Fixed Rate
15	$41.17
20	$41.17
25	$77.90
32	$77.90
40	$321.60
50	$636.52
80	$1,271.93
100	$1,565.71
150	$1,565.71
200	$1,565.71

11. UNMETERED WATER RATE

A targeted rate set under section 16 of the Local Government (Rating) Act 2002 on each connected separately used or inhabited part of a rating unit in the City which is provided with an unmetered water supply for purposes of providing some of the costs of:

- Water supply and water infrastructure

For the 2025/26 year this rate is set as a fixed amount of $1,006.00 per separately used or inhabited part of a rating unit in the City which is provided with an unmetered water supply.

“Connected” means any rating unit to which water is supplied.

12. POOL INSPECTION

A targeted rate set under section 16 of the Local Government (Rating) Act 2002 on properties with pools that are on councils register of pool fence and barrier inspections.

- Funds the cost of the three yearly pool inspection.

For the 2025/26 year this rate (to two decimal places) will be:

$107.00 on every rating unit with a pool that is required to be inspected.

13. MAINSTREET RATES

Targeted rates set under section 16 of the Local Government (Rating) Act 2002 on all Commercial and Industrial rating units in Tauranga CBD, Mount Maunganui Mainstreet, Greerton Village Mainstreet and Pāpāmoa Mainstreet for purposes of providing costs of:

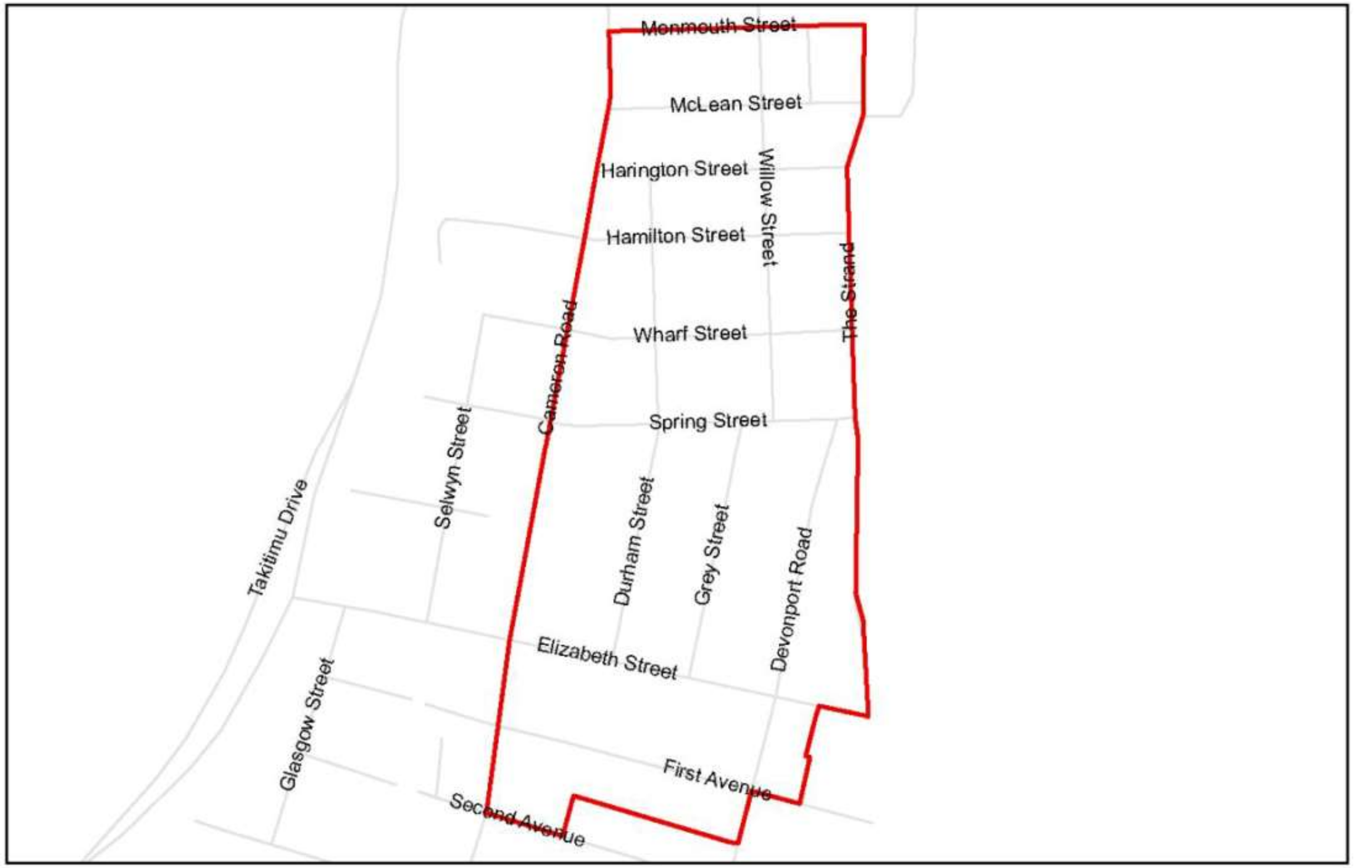
- Promotion of business through grants to each individual Mainstreet Organisation.

For the 2025/26 year the amounts of the rates will be

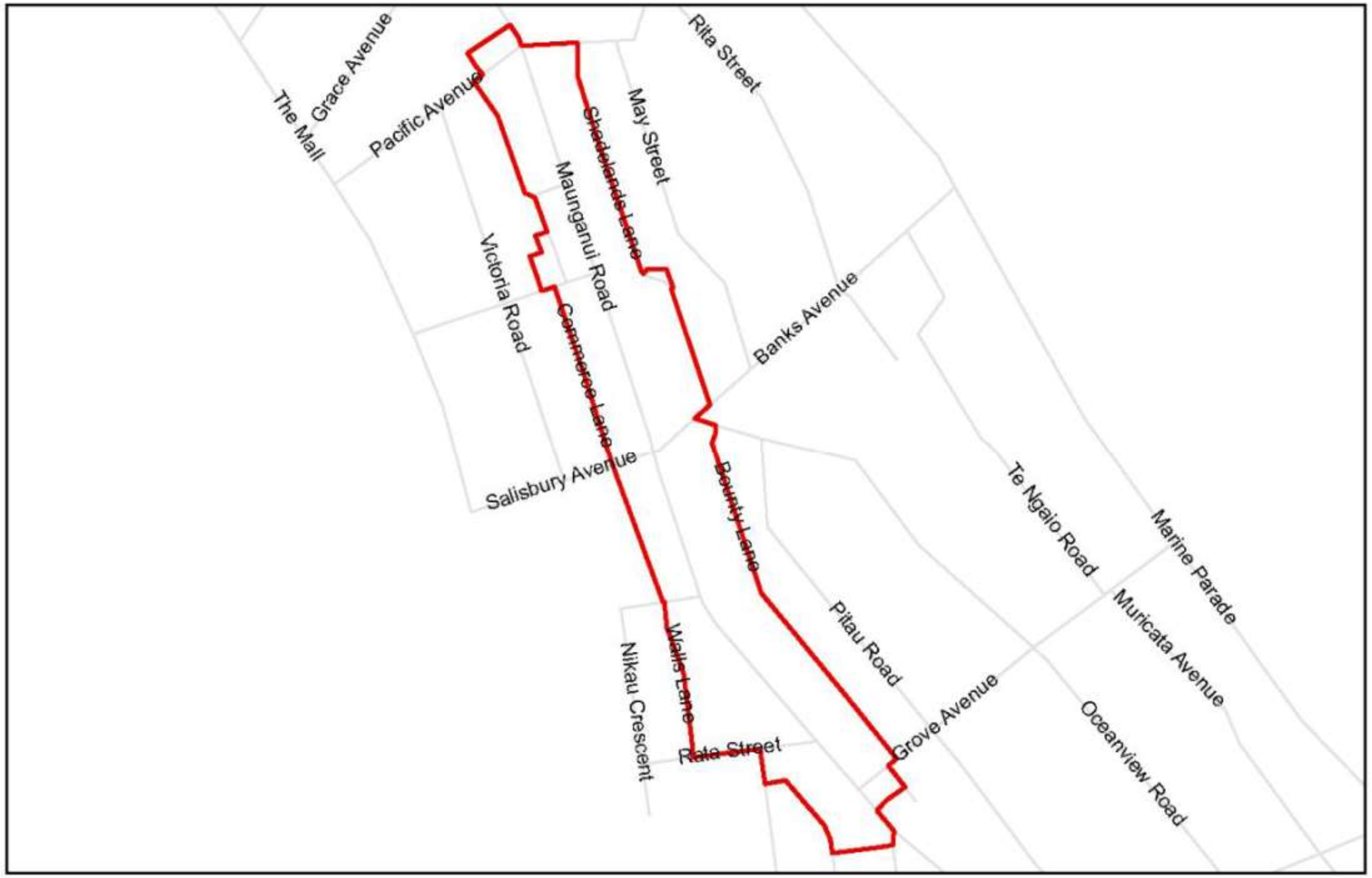
1. $0.00045248 per dollar based on the rateable capital value of all rateable land for “Commercial and Industrial” rating units within the Tauranga Mainstreet (CBD) area (see map).
2. $0.00062329 per dollar based on the rateable capital value of all rateable land for “Commercial and Industrial” rating units within the Mount Maunganui Mainstreet area (see map).
3. $0.00146105 per dollar based on the rateable capital value of all rateable land for “Commercial and Industrial” rating units within the Greerton Village Mainstreet area (see map).
4. $0.00037003 per dollar based on the rateable capital value of all rateable land for “Commercial and Industrial” rating units within the Pāpāmoa Mainstreet area (see map).

* within the area means rating units on the inside of the road defining the boundary on the map.

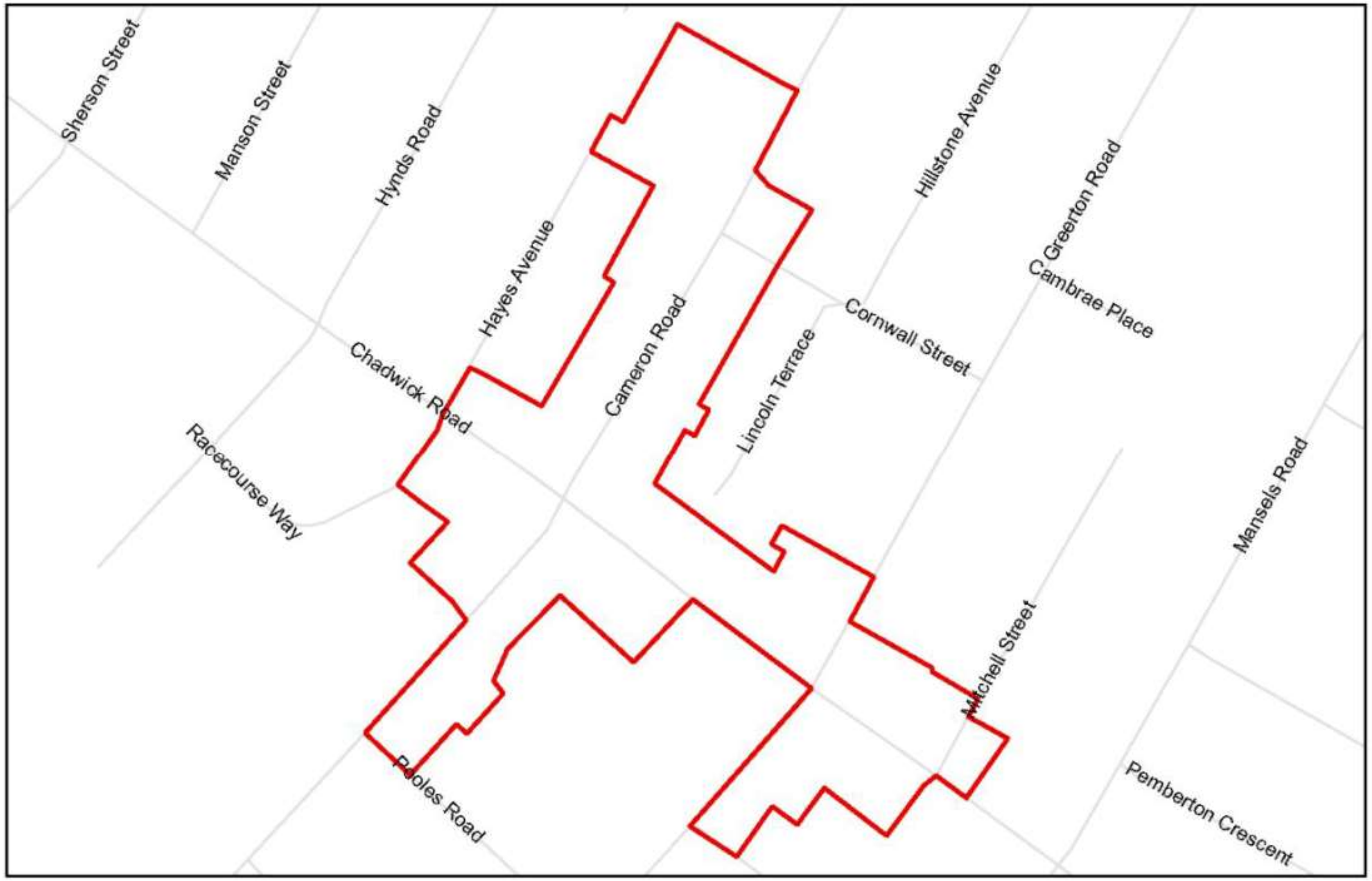
Tauranga Mainstreet Area



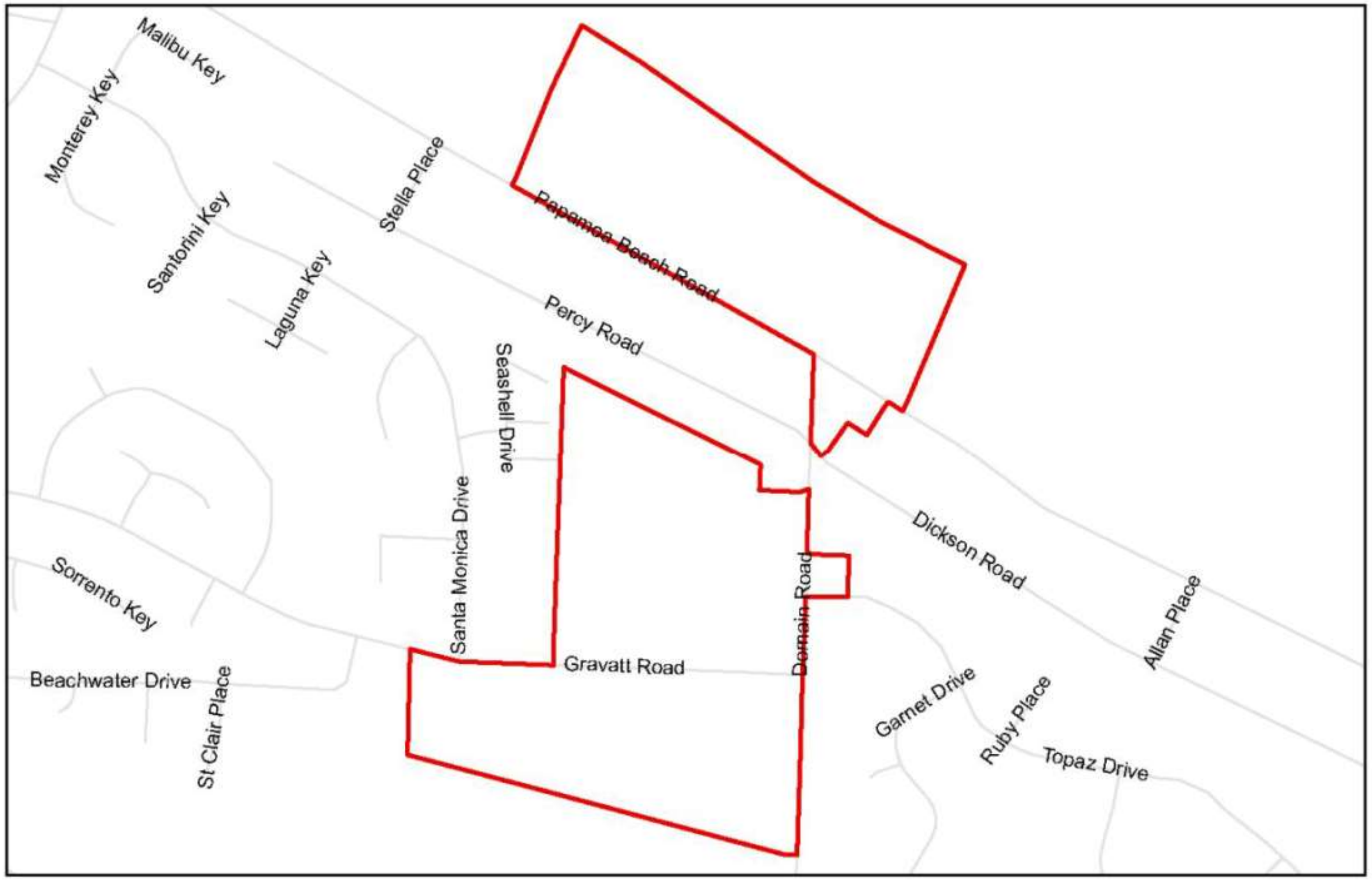
Mt Maunganui Mainstreet Area



Greerton Mainstreet Area



Papamoa Mainstreet Area



14. SPECIAL SERVICES RATES

Three targeted rates set under section 16 of the Local Government (Rating) Act 2002 in The Lakes, Coast Pāpāmoa and Excelsa subdivisions for purposes of providing costs of:

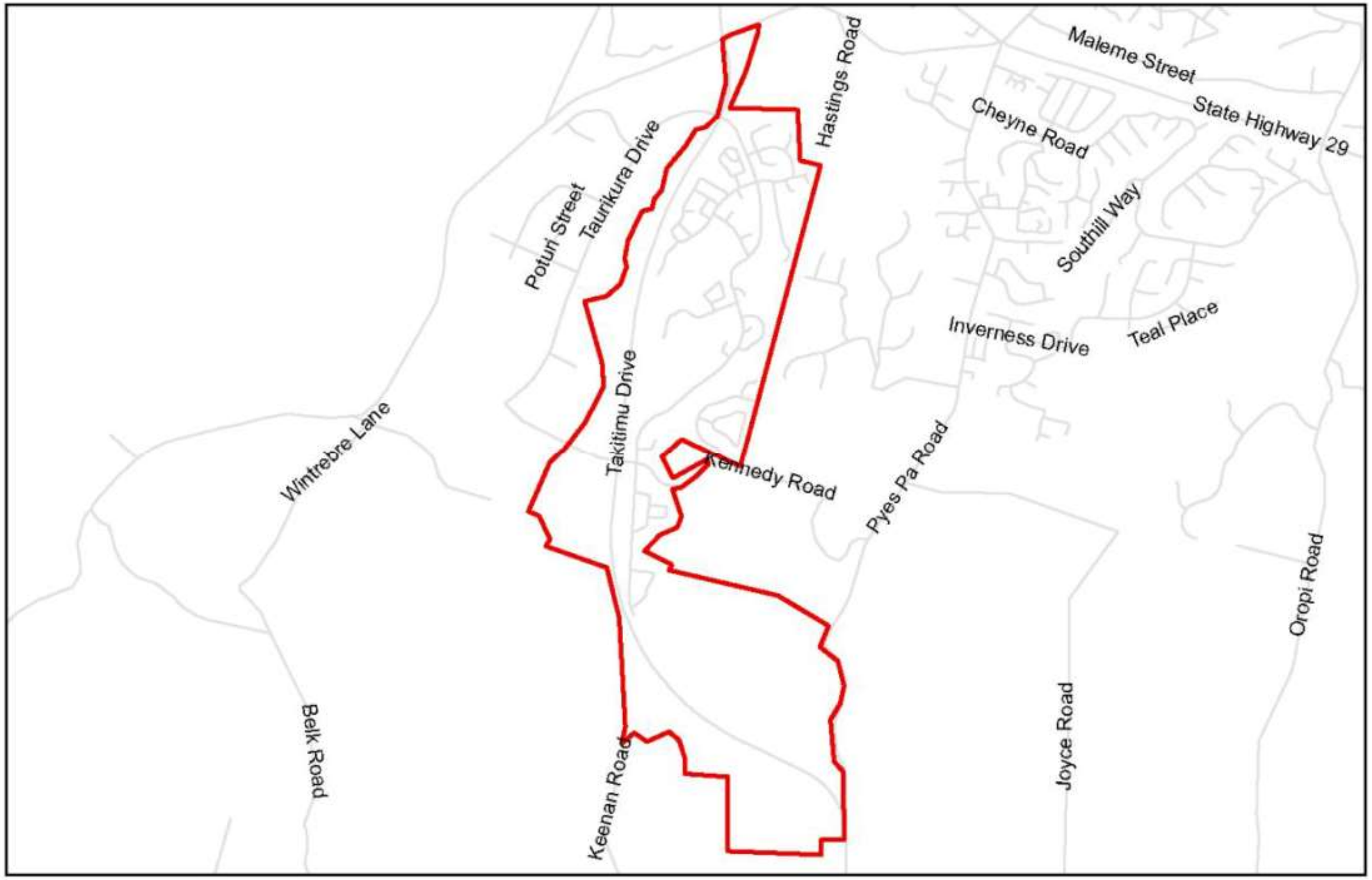
- Additional level of service provided in relation to maintenance and renewal of street gardens (Lakes, Excelsa), paths (Lakes, Coast), trees (Lakes, Coast, and Excelsa), lighting (Excelsa) and pond maintenance (Lakes).

For the 2025/26 year these rates (to two decimal places) will be:

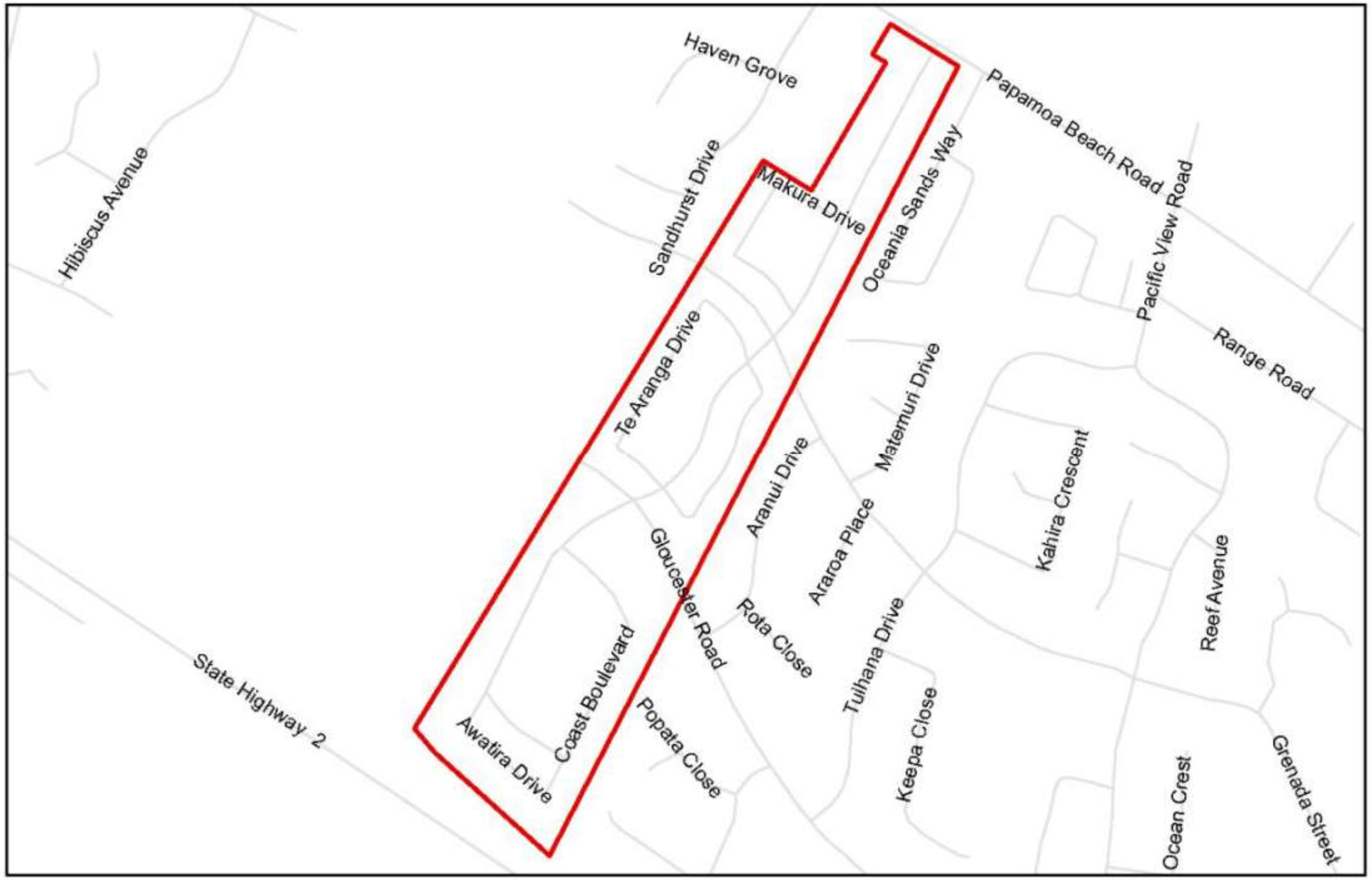
1. $117.40 on every rateable rating unit within the Lakes Subdivision (see map).
2. $38.72 on every rateable rating unit within the Coast Pāpāmoa Subdivision (see map)
3. $50.79 on every rateable rating unit within the Excelsa Subdivision (see map).

* within the area means rating units on the inside of the road defining the boundary on the map.

The Lakes Subdivision Area



Coast Pāpāmoa Subdivision Area



Excelsa Subdivision Area

15. PYES PA WEST URBAN INFRASTRUCTURE (LOCAL)

A targeted rate set under section 16 of the Local Government (Rating) Act 2002 in Pyes Pa West for purposes of providing costs of:

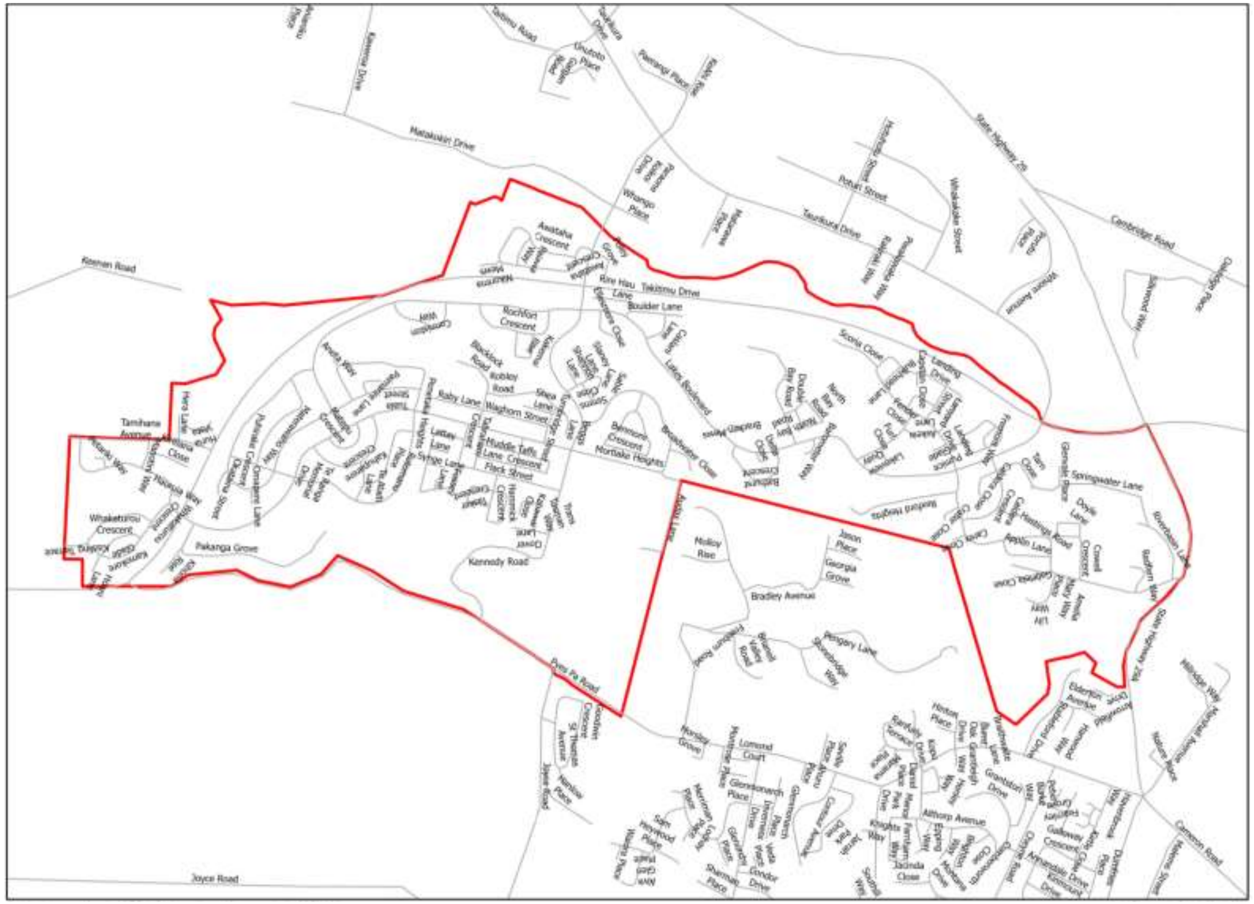
- Partly funding debt retirement for under recovered Development Contributions for local infrastructure

For the 2025/26 year these rates (to two decimal places) will be:

1. $81.48 on every rateable rating unit within the Pyes Pa West (see map)

* within the area means rating units on the inside of the road defining the boundary on the map.

Pyes Pa West


Matakokiri Drive
Takitimu Drive
Boulder Lane
Rochfort Crescent
Scoria Close
Springwater Lane
Cambridge Road
Kennedy Road
Pakanga Grove
Bradley Avenue
Pyes Pa Road
Lomond Court
Althorp Avenue
Joyce Road

Indicative property rates

INDICATIVE PROPERTY RATES (SINGLE OCCUPANCY, RESIDENTIAL ONE TOILET, COMMERCIAL/INDUSTRIAL TWO TOILETS)														
Your proposed rates breakdown for 2025/2026														
	Capital Value 2023	**Urban Growth**	**Waste water**	**Waste (kerbside)**	**Resilience**	**Storm water**	**UAGC**	**General rates**	**25/26 proposed**	**24/25 rates**	**IFF-TSP**	**Proposed total rates and levies**	**Total rates, levies increase (%)**	**Increase $/yr**
Residential														
Low Residential (1%)	$355,000	$36	$789	$245	$6	$2	$333	$953	$2,364	$2,147	$32	$2,396	10.1%	$220.70
Lower Quartile (25%)	$715,000	$36	$789	$245	$12	$5	$333	$1,920	$3,339	$3,008	$64	$3,404	11.0%	$338.68
Median (50%)	$885,000	$36	$789	$245	$15	$6	$333	$2,377	$3,800	$3,414	$80	$3,881	11.3%	$394.39
Upper Quartile (75%)	$1,120,000	$36	$789	$245	$19	$7	$333	$3,008	$4,437	$3,977	$101	$4,539	11.6%	$471.40
High residential (99%)	$3,929,050	$36	$789	$245	$67	$26	$333	$10,552	$12,047	$10,695	$354	$12,405	12.6%	$1,391.96
	Capital Value	**Urban Growth**	**Waste water**	**Economic Development**	**Resilience**	**Storm water**	**UAGC**	**General rates**	**25/26 proposed**	**24/25 rates**	**IFF-TSP**	**Proposed total rates and levies**	**Total rates, levies increase (%)**	**Increase $/yr**
Commercial														
Lower Quartile (25%)	$695,000	$36	$1,577	$347	$27	$10	$333	$5,891	$8,221	$7,007	$384	$6,696	16.6%	$954.67
Median (50%)	$1,230,000	$36	$1,577	$729	$56	$22	$333	$12,387	$15,139	$12,780	$807	$10,352	17.7%	$1,555.62
Upper Quartile (75%)	$2,886,250	$36	$1,577	$1,290	$99	$39	$333	$21,934	$25,308	$21,264	$1,429	$21,670	18.7%	$3,416.05
High commercial (99%)	$51,029,000	$36	$1,577	$29,913	$2,294	$896	$333	$508,504	$543,552	$453,653	$33,135	$350,669	19.6%	$57,493.82
	Capital Value	**Urban Growth**	**Waste water**	**Economic Development**	**Resilience**	**Storm water**	**UAGC**	**General rates**	**25/26 proposed**	**24/25 rates**	**IFF-TSP**	**Proposed total rates and levies**	**Total rates, levies increase (%)**	**Increase $/yr**
Industrial														
Lower Quartile (25%)	$1,400,000	$36	$1,577	$280	$21	$8	$333	$5,759	$8,014	$6,934	$310	$13,292	16.3%	$1,865.77
Median (50%)	$2,305,000	$36	$1,577	$554	$43	$17	$333	$11,408	$13,967	$11,997	$614	$20,626	16.8%	$2,959.39
Upper Quartile (75%)	$4,522,500	$36	$1,577	$1,134	$87	$34	$333	$23,327	$26,528	$22,681	$1,256	$38,597	17.1%	$5,639.05
High Industrial (99%)	$40,828,400	$36	$1,577	$11,971	$918	$359	$333	$246,290	$261,484	$222,533	$13,261	$332,822	17.5%	$49,511.66

The 2025/26 rates are calculated using the revaluation values from 1 May 2023. The next revaluation is in 2026.

The new Transportation Infrastructure Funding and Financing levy, replacing the previous transportation targeted rate, will be included on your rates bill from 1 July 2024. The levy is not a rate however it functions in a similar way, including setting penalties on late payment, and collection powers. The levy is collected by council on behalf of a special purpose vehicle company set up to provide the external funding for specific transportation projects. Your investment in these projects will help build a transportation network that will benefit your community.

INDICATIVE PROPERTY RATES (SINGLE OCCUPANCY) TO INDICATIVE LEVEL OF SERVICE RATES				
What your rates are made up of for 2025/26 (including GST)				
Indicative Level of Service rates	**2025/2026 proposed**	**2024/2025 rates**	**Increase**	**Increase $/yr**
The Lakes	$117.40	$105.26	11.5%	$12.14
Coast (Papamoa)	$38.72	$36.00	7.6%	$2.72
Excelsa (Papamoa)	$50.79	$53.07	-4.3%	-$2.28

INDICATIVE PROPERTY RATES (SINGLE OCCUPANCY) TO INDICATIVE MAINSTREET RATES					
What your rates are made up of for 2025/26 (including GST)					
Indicative Mainstreet rates	**Average Capital Value 2021**	**2025/2026 proposed**	**2024/2025 rates**	**Increase %**	**Increase $/yr**
Tauranga	$4,068,000	$1,841	$1,582	16.4%	$259
Mount	$3,360,000	$2,094	$2,034	2.9%	$60
Greerton	$2,140,000	$3,127	$3,257	-4.0%	-$130
Papamoa	$3,698,000	$1,368	$1,263	8.4%	$106

INDICATIVE WATER RATES				
What your rates are made up of for 2025/26 (including GST)				
Indicative Water rates	**2025/2026 proposed**	**2024/2025 rates**	**Increase**	**Increase /m3**
volumetric rate (m3)	$3.87	$3.54	9.3%	$0.33
Base charge (connection size)	**2025/2026 proposed**	**2024/2025 rates**	**Increase**	**Increase $/yr**
15	$41.17	$38	7.0%	$2.69
20	$41.17	$38	7.0%	$2.69
25	$77.90	$73	7.0%	$5.10
32	$77.90	$73	7.0%	$5.10
40	$321.60	$301	7.0%	$21.04
50	$636.52	$595	7.0%	$41.64
80	$1,271.93	$1,189	7.0%	$83.21
100	$1,565.71	$1,463	7.0%	$102.43
150	$1,565.71	$1,463	7.0%	$102.43
200	$1,565.71	$1,463	7.0%	$102.43

11.3 Local Water Done Well - Adoption of Consultation Document and Update on Progress

File Number: **A17099659**

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PURPOSE OF THE REPORT

1. The purpose of this report is to:

- Present the Draft Why Wai Matters Consultation Document **(Attachment 1)** and Consultation Document Summary **(Attachment 2)** for adoption for public consultation from 28 March to 28 April, alongside the 2025/26 Annual Plan.
- Provide a progress update on Local Water Done Well, including a discussion on three-waters versus a two-waters approach and new financial modelling.

RECOMMENDATIONS

That the Council:

(a) Receives the report "Local Water Done Well - Adoption of Consultation Document and Update on Progress".

(b) Agrees that if a multi-council controlled organisation is established, differences in prices across councils will be maintained to reflect the differences in investment, borrowing, and costs of service; and that any movement to price harmonisation should require an explicit resolution from TCC.

(c) Notes that further financial modelling has been completed by both Martin Jenkins and the Department of Internal Affairs and that these both align with key conclusions from the Indicative Business Case adopted by Council on 9 December 2024.

(d) Notes that the implications for TCC’s risk and credit rating are being further considered in line with the 9 December 2024 Council decisions to ensure any multi-council controlled organisation option is mutually beneficial, including for the multi-council controlled organisation and remaining TCC organisation.

(e) Adopts the Draft Why Wai Matters 2025 Consultation Document content (attachment 1) and Summary content (attachment 2) for public consultation, noting design versions are being developed.

(f) Authorises the General Manager Strategy, Growth and Governance to approve minor drafting, financial and presentation amendments to the Draft Why Wai Matters 2025 Consultation and Summary Documents if necessary.

EXECUTIVE SUMMARY

2. This report presents the Draft Why Wai Matters Consultation Document for Council adoption, new financial modelling, and provides a progress update on the Local Water Done Well initiative.

3. Local Water Done Well is the Coalition Government's plan to address New Zealand's water infrastructure challenges, replacing the former Three Waters Reform Programme. It provides councils with flexibility in water service delivery, including establishing new, financially separate water organisations. Significant changes in the operating environment for water services are expected, with new service delivery models, regulatory requirements, and financing tools. All councils must develop a Water Services Delivery Plan to demonstrate financial sustainability, regulatory compliance, and support for housing growth, to be submitted by 3 September 2025.

4. On 9 December 2024, the Council adopted the Indicative Business Case on the Future for Water Service Delivery, recommending a jointly owned three-water Council Controlled Organisation (CCO). At this meeting, the Council approved publicly consulting on three options:
   - the current delivery model
   - a jointly owned two-water or three-water CCO
   - a TCC-only two-water or three-water CCO.

5. The Draft "Why Wai Matters" consultation document seeks community input on the three options set out above. Regardless of the chosen model, it highlights that water costs are expected to rise over time.

6. Staff recommend that Council provides for a CCO for three-waters, rather than two-waters. The key reasons for this include:
   - A CCO can borrow up to 500% of revenue, enabling greater investment in stormwater and flood management.
   - A three-waters model offers greater efficiencies with consequent relative lower charges to the community
   - Avoids duplication of knowledge and compliance in the new regulatory environment
   - Retains existing staff expertise in stormwater management in a broader waters' context.
   - A three-water approach enables a more coordinated response during emergencies.
   - If a two-water CCO is established, it will be more difficult to move to a three-water CCO. Establishing a three-water CCO retains the option to start or revert with a two-water only CCO.

7. It is proposed that when, following community consultation, Council decides on a future model for water delivery, it also confirms its approach regarding three-waters versus two-waters. As such, it is recommended that the Council does not consult the community on whether to adopt a three-waters or two-waters approach so it does not detract from the main question of who the community would like to manage water in the future.

8. Two options are presented for Council consideration:
   - **Adopt the Why Wai Matters Consultation Document (Recommended**)

     Benefits of this option are that it enables informed community assessment and aligns with consultation timelines of potential CCO partners.

   - **Do not adopt the Why Wai Matters Consultation Document (Not Recommended)**

     This option is misaligned with public messaging and does not allow consultation alongside the 2025/26 Annual Plan.

9. The Council must consult on the options for a water service delivery model to include in the Water Services Delivery Plan. Consultation on who should manage and operate Tauranga City's water services in the future is planned from 28 March 2025 to 28 April 2025, alongside

the 2025/26 Annual Plan process, with hearings in May 2025. Decisions will be reflected in the Water Service Delivery Plan, which is due to central government by 3 September 2025.

10. An update on other workstreams under Local Water Done Well includes the development of principles for establishing a CCO and further financial modelling completed by MartinJenkins and the Department of Internal Affairs (**Attachments 3 and 4**). All models mirror key findings from the Indicative Business Case adopted on 9 December 2024 i.e. that there are more benefits gained through the establishment of a multi-council controlled organisation (multi-CCO).

11. MartinJenkins key financial modelling outcomes for the different options are shown in the table below.

	TCC In-house	TCC CCO Stand alone	Multi CCO (TCC/WBOPDC)	Multi-CCO (with 4 Councils)
TCC avg water charge 2034 (price point) in 2024 $	$3,800 *($4,864 inflated)*	$3,470 *($4,442 inflated)*	$3,440 *($4,403 inflated)*	$3,380 *($4,326 inflated)*
Water charge as % of median income (2034)	3.4%	3.1%	3.1%	3.0%
Cumulative savings per connection (2028-2034 in 2024 $)*	$0	$1,900	$1,900	$2,100
Total cumulative savings by 2044 *(excluding inflation)*	$0	14.40%	20.8 capex FY44 17.8% opex FY 44	20.8 capex FY44 23.3% opex FY 44
Total CCO debt (FY34) $m	$0	$1,500	$1,800	$2,200
TCC waters debt (FY34) $m	$1,500	$1,500	$1,500	$1,500
TCC Capital Programme 10 year total to 2034 at the above Price Point *($b)*	$2.1	$2.0	$2.0	$2.0
*Estimated debt capacity or additional capital at a price $400 p.a per connection above price point above ($m)***	*0*	*$140*	*$140*	*$140*

* Note savings estimated to continue until 2044 with price advantage or debt capacity increasing
** This is a TCC calculation based on debt increase at 5 times revenue increase at a 500% D:R ratio

12. The key financial conclusions from the modelling are that:

- A CCO results in a lower water charge than continuing with the current in-house arrangement.
- Community affordability improves slightly under the CCO model.
- The positive efficiencies continue to compound beyond 2034 and therefore there will be even greater savings in the water charge in years beyond 2034.
- The efficiencies also mean that there will be more infrastructure delivered under the CCO for the same level of capital programme investment under an in-house arrangement.
- The larger the CCO the greater the cumulate savings over time (i.e. higher peak savings)
- Overall, a CCO model has a small to moderate amount of increased debt capacity when compared to the in-house model. This would enable more investment in water (CCO) and non-water infrastructure (TCC), and along with the efficiency savings to capital delivery, would enable more investment to be delivered to communities for the same cost.

13. Risk to TCC's credit rating is highlighted as needing further consideration if Council decides to establish a multi-CCO following consultation and due diligence with potential partner

councils. Risk mitigation factors that ensure mutual benefits are achieve for both TCC and any other partnering council are discussed and include principles for establishing a CCO and pricing and debt considerations for a multi-CCO (ringfencing).

BACKGROUND

14. To date, Council has received a series of reports on Local Water Done Well that provided an update on legislative developments and Council's planned approach to support the new Government initiative.

15. On 9 December 2024, Council adopted the Indicative Business Case on the Future for Water Service Delivery. The purpose of the Indicative Business Case was to assist the Council to develop a response to Local Water Done Well and to recommend a preferred way forward – a jointly owned three-water Council Controlled Organisation (CCO) that is mutually beneficial to both partners and can grow to include multiple councils over time.

16. During the December meeting, it was decided that (see full resolutions in **Attachment 5**):

    - Council will use the new consultation mechanisms provided for in Sections 61-64 of the Local Government (Water Services Preliminary Arrangements) Act 2024.
    - Council would publicly consult alongside the 2025/26 Annual Plan on three options (see resolutions below):
    - Council staff work with the Western Bay of Plenty District Council (WBOPDC) to progress the option of establishing a multi-CCO with them as a potential partner.

17. This report progresses the decisions on community consultation and engagement by presenting the *Why Wai Matters* Consultation Document for adoption.

STATUTORY CONTEXT – LOCAL WATER DONE WELL

18. Local Water Done Well is the Coalition Government's plan to address New Zealand's longstanding water infrastructure challenges. It was announced as part of the Coalition Government's 100-day plan, replacing the former government's Three Waters Reform Programme. A key feature of Local Water Done Well is to provide councils with the flexibility to determine the optimal structure and delivery method for water services, including the establishment of new, financially separate water organisations with greater access to funding.

19. Significant changes in the operating environment for water services is expected to occur over time in New Zealand through Local Water Done Well. Adoption of new service delivery models, new regulatory requirements, and new structural and financing tools are all part of the Government's Local Water Done Well policy, along with economic regulation.

20. Legislation is currently being progressed and the third and final Bill was introduced in December 2024 and is anticipated to be enacted by mid-2025. Until legislation is enacted there will be uncertainty over the specific provisions.

21. Under the Local Water Done Well framework, Council can continue delivering water services directly (such as through in-house business units) or can establish a new water organisation that is more financially and operationally independent of Council. For all options, assets will remain in public ownership, either being owned by Council, through a CCO, or a community trust.

22. New water organisations are intended to enable enhanced access to long-term borrowing for water infrastructure – supporting infrastructure development, while managing costs for consumers. Local Government Funding Agency Limited has confirmed it will provide financing to support water CCOs established under Local Water Done Well and will assist high growth councils with additional financing. Local Water Done Well policy also intends to make it easier for councils who wish to enter joint arrangements to achieve cost savings, improve efficiency and affordability.

23. All councils will need to develop a Water Services Delivery Plan to publicly demonstrate the intention and commitment to deliver water services in ways that are financially sustainable, meet regulatory quality standards for water infrastructure and water quality, and unlock housing growth. This approach aims to provide transparency to communities in relation to costs and financing of water services. These plans need to be submitted to Government by 3 September 2025.

STRATEGIC ALIGNMENT

24. This contributes to the promotion or achievement of the following strategic community outcome(s):

	Contributes
We are an inclusive city	✓
We value, protect and enhance the environment	☐
We are a well-planned city	☐
We can move around our city easily	☐
We are a city that supports business and education	☐

25. Water services are fundamental to social wellbeing and provide a daily necessity. The health and social wellbeing of our communities rely on adequate, reliable, and resilient water networks.

26. Tangata Whenua have a significant relationship with water that also needs strong consideration, regardless of which future water service delivery model is decided on.

27. The ability for the community to have their say on the future of water services for Tauranga is an important issue. Providing that opportunity through an open, transparent and inclusive consultation process helps to achieve a more inclusive city.

DRAFT *WHY WAI MATTERS* – CONSULTATION DOCUMENT

28. *Why Wai Matters* is the draft consultation document on the future for water services (Attachment 1). It asks the community to share their thoughts on who should manage and make decisions about Tauranga City's water in the future.

29. It explains that Tauranga City has managed its water assets well and we are proud that we provide safe and resilient water services and that our city's water needs are well looked after. It also outlines that the cost of maintaining and improving water infrastructure in our ever-growing city is putting pressure on council's finances, and ratepayers and water customers.

30. *Why Wai Matters* also includes background information on Local Water Done Well. This includes that each council can choose the best water service model for its community, which presents an opportunity to put in place a different arrangement such as a CCO that is focused only on water.

31. The document sets out three options for the community to consider:

    - Our proposed approach – creating a multi-CCO with potential partners being the WBOPDC and/or other councils if we can show benefits for all involved.
    - Keeping water services in-house (current model)
    - Tauranga City Council stand-alone CCO

32. It also highlights that regardless of the model chosen, the cost of water will increase over time.

FOCUS ON A THREE-WATERS APPROACH

33. Council, in addition to water supply and wastewater management, manages stormwater, the runoff of rainwater from hard surfaces such as buildings, footpaths and roads. Managing

stormwater is about protecting public health and safety by reducing the impacts of flooding on people, property, water quality and eco-systems. The challenge of managing stormwater is increasing with Tauranga's growing population and changing urban form, and the worsening impacts of climate change.

34. Council's stormwater network consists of underground pipes, open drains, ponds, wetlands and outlets, spread across six catchment areas which together cover the whole city. Roads and streets are also used as part of Council's stormwater management approach, and overland flowpaths (which cross private and public property) are mapped and managed via Council's City Plan and consenting processes. As not all stormwater is treated, Council also invests in public education and regulation to help prevent stormwater pollution of the environment.

35. The complexity of the stormwater system, which sits across private and public land, transport infrastructure, reserve land and open spaces, and which includes both built infrastructure and natural landforms, means that it has strong planning linkages with a range of Council functions. These include:

- Land use planning and planning for growth and urban form
- Transport corridors
- Spaces and Places, the management of parks, open spaces and active reserves
- Regulatory Services and Environmental Compliance
- Emergency Management

36. The Local Government (Water Services) Bill provides councils with the option of:

- Continuing to deliver stormwater services directly.
- Transferring all or some aspects of stormwater services provision to a council-controlled water services organisation (CCO); and/or,
- Contracting a third party (this could be a CCO) to provide all or some aspects of stormwater delivery.

37. Under the Local Government (Water Services) Bill, councils must develop Stormwater Network Risk Management Plans to map infrastructure, identify critical assets, assess risks, and implement mitigation strategies. They can establish stormwater bylaws to regulate activities affecting infrastructure and require landowners to report potential impairments. Councils may also recover costs associated with maintaining and protecting the stormwater network, including costs incurred from mitigating risks or addressing impacts caused by landowner activities.

38. Providing the choice of how to deliver stormwater services recognises, the complexity of stormwater management, the linkages between stormwater and other non-water Council activities, and the unique stormwater challenges faced by each council. Councils are being encouraged to think innovatively about how best to deliver stormwater services and the legislation recognises that for some councils, this may mean separating the management of stormwater from water supply and wastewater.

39. The Future Water Services Indicative Business Case, presented to Council in December 2024, included the findings from internal engagement with Council staff regarding future approaches for stormwater delivery. Staff were asked to identify opportunities, challenges and solutions for each delivery approach (delivery by Council versus delivery by an external organisation, in conjunction with water supply and wastewater). Further information is provided in **Attachment 6**.

Deciding whether to proceed with three-waters or two-waters

40. There are four primary reasons for proceeding with a three-waters approach versus a two-waters approach:

- The changes to stormwater delivery would be largely operational and internally facing, i.e. they will impact on how Council staff do things internally, and how they liaise with the stormwater function. However, the opportunity cost of remaining with two-waters will hinder any new CCO from being an attractive partner to other CCOs or councils wishing to amalgamate three-waters activities with the Tauranga CCO. The minor operational challenges may be managed via service level agreements and relationship agreements, internally facing documentation. There will be no change to the level of customer service provided by the stormwater activity, regardless of whether it is delivered by Council or by a CCO.
- A CCO has the ability to borrow up to 500% of revenue and this opens up investment opportunity for stormwater and flood management improvement works.
- A three-waters model has potential to deliver greater capex and opex efficiencies. The modelling completed by MartinJenkins, and presented as part of this report, provides financial forecasting for the potential CCO options (a CCO only servicing Tauranga, versus a CCO servicing two or more local government areas). It is based on a three-waters scenario. The operational and financial efficiencies identified in this modelling would not be fully realised if a two-waters approach was adopted. In addition, existing waters staff have significant experience in stormwater planning, management, operations, renewals and consenting. This makes an attractive partner for future growth prospects for the CCO. If a two-waters approach was adopted, this existing knowledge of stormwater systems would be lost to Council and need to be replaced.
- Avoids duplication of knowledge and compliance in the new regulatory environment
- A three-waters approach is better able to deliver a co-ordinated response in the event of an emergency.

41. Whilst the advantages of adopting a three-waters approach outweigh those of a two-water approach, the challenges of moving water delivery and management in full to an external organisation will need to be addressed. It is intended that these will be managed via relationship agreements and/or service level agreements between Council and the proposed CCO. Council, as local authority retains its role as “Plan Maker”, strengthened through the Statement of Expectation, and the proposed CCO responds as “Plan Taker” through the Water Services Strategy.

42. It also should be noted that Section 13 of the Local Government (Water Services) Bill allows for stormwater to revert from a CCO back to Council should it have reason to do so (refer to the legal implications section of this report).

Recommendation that Council does not consult with the community of a three-waters versus a two-waters approach

43. The primary issue for the community to consider is whether, from a wider perspective, they support one of the three options for water service delivery (in-house, TCC CCO or multi-CCO).

44. These three options are substantial and complex. If Council also chooses to consult on a three-waters versus two-waters approach, there is a risk of detracting attention from the primary issue of whether to establish a CCO (and if so, whether it should be a CCO servicing just Tauranga or multiple council areas). Also, the actual impacts of whether stormwater is delivered by Council or by a CCO are forecast to be minimal from a customer perspective and confined largely to within the organisations involved.

45. It is proposed that when Council decides on a future model for water delivery (following community consultation), it also confirms its approach regarding three-waters versus two-waters. The Draft *Why Wai Matters* consultation document therefore does not directly ask the community for their views on a two-water versus a three-water CCO. It should be noted that this is at variance from the 9 December 2024 Council resolution.

OPTIONS ANALYSIS

46. The Council has two options for consideration:

    (a) Option 1: Adopt the Draft Why Wai Matters Consultation Document (Recommended)

    (b) Option 2: Do not adopt the Draft Why Wai Matters Consultation Document. (Not Recommended)

47. The advantages and disadvantages of each option are set out below.

OPTION ONE: Adopt Why Wai Matters Consultation Document for consultation	
Benefits	**Disadvantages**
• Complies with alternative legislative requirements regarding consultation as set out in Part 3 of the Local Government (Water Services Preliminary Arrangements) Act. • Allows consideration of more than one viable model (noting that the Act requires the inclusion of the current model, even if it is unlikely to meet the financial sustainability requirements of the Act). • Enables the community to make an informed assessment between water service delivery models and the potential implications. • Clear that Council's preferred water service delivery model is a multi-CCO. • Able to consult with the public alongside the 2025-26 Annual Plan as arranged. • Aligns with WBOPDC's consultation timelines for Local Water Done Well.	• None

OPTION 2: Do not adopt Why Wai Matters Consultation Document	
Benefits	**Disadvantages**
• None.	• Unable to consult with the public alongside the 2025-26 Annual Plan as planned. • Misaligned with public messaging about consultation timeframes. • Misaligned with WBOPDC's consultation timelines on Local Water Done Well. • Further resource required to amend consultation document.

UPDATE ON OTHER LOCAL WATER DONE WELL MATTERS

48. An update on other workstreams under Local Water Done Well includes the development of share allocation for a multi-CCO, and relationships with other potential CCO partnering councils.

Share allocation for a multi-CCO

49. If Council decides to establish a multi-CCO, the partnering councils will need to agree on how to allocate the number of shares in the CCO between the shareholder councils. This is relevant at the establishment of the CCO, but also when a new council joins the CCO, or an existing council exits the CCO.

50. Department of Internal Affairs recommends the following should be considered when selecting a share allocation method:

    - the rights and obligations of each council that are determined by the level of shareholding, and whether each council is able to discharge those obligations.
    - the ease of implementing the allocation method (which can avoid disagreements), including the availability of the information required, ensuring transparency of the methodology and updating the share allocation (where applicable – see above); and
    - whether the allocation can be made transparently and able to be explained simply to key stakeholders (including ratepayers).

51. Department of Internal Affairs have produced advice on five options for how shareholding allocations could be determined for a multi-CCO. The five options for allocation are based on allocating by population, number of connections, net asset value, equal proportion allocation, and a combination approach.

52. Refer Department of Internal Affairs options, including benefits and risks, for more detail.

Relationships with potential CCO partners

53. Council has participated in discussions with the Bay of Plenty Regional Mayoral Forum, which has considered options for the future of water services delivery across the region. No decisions have been made by Council to formally pursue the options promulgated through the forum, except to note that options should, and any CCO should, include the potential future participation of other councils in the region.

54. The Mayoral Forum also requested that the Department of Internal Affairs (DIA) undertake the financial modelling of a multi-CCO to include all Bay of Plenty councils (excluding Taupō District Council and the Bay of Plenty Regional Council). The DIA modelling is also limited as it uses Long-term Plan data and does not have the same level of complexity provided by the MartinJenkins modelling i.e. the inclusion of expected efficiency gains. The DIA modelling is attached for your information (Attachment 4).

FINANCIAL CONSIDERATIONS

55. Financial considerations include further financial modelling completed by MartinJenkins (Attachment 3) and an outline of free funds from operations (FFO).

Financial modelling outputs from MartinJenkins

56. The independent modelling for four councils (including different combinations of councils) was undertaken by MartinJenkins. For TCC it confirms that financial benefits of a CCO arise from operational savings. This is the main financial benefit of a CCO over a TCC in-house provision in the period up to 2034 without harmonisation[1]. With harmonisation, modelling shows there is potential further benefit.

57. The table below summarises key findings from MartinJenkin's financial modelling for TCC. As shown, the operational savings are larger for a larger entity (i.e. multi-CCO with four councils) and would continue to increase over time until 2044. There are also similar capex savings. Savings could be represented in a slower increase in prices for water users across all council areas than would be the case under a TCC in-house delivery model. Alternatively,

[1] Harmonisation means that all connected households across partnered councils in a multi-CCO contribute the same amount for water services. Under a harmonised approach there would generally be no ring fencing of debt and revenues.

if the higher in-house price was retained, a CCO could deliver more capital for that charge. However, as shown in the table, the differences overall are small in the ten years to 2034.

58. Martin Jenkins modelling is based around maintaining an acceptable debt level relative to the ability of the CCO to fund its borrowings. The metrics used to determine this is 'free funds from operations to debt ratio' (refer below for further detail on this metric).

Table: Summary of Financial Metrics of LWDW Options per MartinJenkins Model

	TCC In-house	TCC CCO Stand alone	Multi CCO (TCC/WBOPDC)	Multi-CCO (with 4 Councils)
TCC avg water charge 2034 (price point) in 2024 $	$3,800	$3,470	$3,440	$3,380
Water charge as % of median income (2034)	3.4%	3.1%	3.1%	3.0%
Cumulative savings per connection (2028-2034 in 2024 $)*	$0	$1,900	$1,900	$2,100
Total cumulative savings by 2044 *(excluding inflation)*	$0	14.40%	20.8 capex FY44 17.8% opex FY 44	20.8 capex FY44 23.3% opex FY 44
Total CCO debt (FY34) $m	$0	$1,500	$1,800	$2,200
TCC waters debt (FY34) $m	$1,500	$1,500	$1,500	$1,500
TCC Capital Programme 10 year total to 2034 at the above Price Point *($b)*	$2.1	$2.0	$2.0	$2.0
*Estimated debt capacity or additional capital at a price $400 p.a per connection above price point above ($m)***	*0*	*$140*	*$140*	*$140*

* Note savings estimated to continue until 2044 with price advantage or debt capacity increasing
** This is a TCC calculation based on debt increase at 5 times revenue increase at a 500% D:R ratio

59. The key points to note from the table are:

- A CCO results in a lower water charge than continuing with the current in-house arrangement.
- Community affordability improves slightly under the CCO model.
- The positive efficiencies continue to compound beyond 2034 and therefore there will be even greater savings in the water charge in years beyond 2034.

  The larger the CCO the greater the cumulate savings over time (i.e. higher peak savings)
- Overall, a CCO model has a small to moderate amount of increased debt capacity when compared to the in-house model. This would enable more investment in water (CCO) and non-water infrastructure (TCC).

60. The MartinJenkins financial modelling information will be available on the TCC website (it has already been provided to Elected Members).

Free funds from operations (FFO)

61. Free funds from operations (FFO) will now be the metric for determining financial sustainability under Local Water Done Well.

62. Department of Internal Affairs released advice that the Local Government Funding Agency will assess water CCO's FFO to form a view on its ability to generate sufficient cash flow to

service its debt obligations. This is a change from the use of 'debt to revenue' ratio that is the key Council metric for borrowing and the basis of Council's borrowing limits.

63. Unlike the debt to revenue ratio, the FFO to debt metric brings in consideration of expenditure by assessing the free funds or surplus revenue available to cover borrowing. The higher the FFO the more financially sustainable the service. Waters CCOs are expected to be highly indebted as there is a lot of capital investment required which will be paid for by consumers over the life of the new infrastructure.

64. Department of Internal Affairs explains FFO as the leverage ratio that a credit rating agency, investor or lender can use to evaluate an organisation's financial risk. The ratio compares the cash generated from an organisation's operations to its total borrowings and represents this as a percentage ratio. For example, for an organisation that has an FFO to debt ratio of 10%, this means that operating cash margins generated in one year are equal to 10% of the organisation's borrowings.

65. The prices modelled by MartinJenkins are based on maintaining a 10% FFO: Debt ratio for financial sustainability and credit rating purposes.

66. The setting of minimum FFO to debt requirements impact revenue requirements and prices paid by the customer. The minimum FFO to debt ratio requirement directly determines the minimum amount of operating cash margins required to be generated, to comply with the covenant. In turn, this impacts the minimum operating revenue and maximum cash operating costs that are tolerable, as they determine the funds from operations.

67. A higher minimum FFO to debt ratio requirement (e.g. 12%) would require higher operating revenues (and customer charges) than a lower minimum FFO to debt ratio (e.g. 8%) for any given level of operating expenses and borrowings.

68. The Department of Internal Affair's modelling (Attachment 4) recommends a FFO to debt ratio of 8-9% to form the baseline for Tauranga City Council's analysis. This range of FFO equates to a Standard and Poors assessment of financial risk position as aggressive highly leveraged. MartinJenkins analysis is based on a slightly stronger position of a 10% FFO to debt ratio, which standard and Poors describe as a financial risk position that is significant.

69. It should be noted that there has not been any assessment on the impact of FFO to debt ratios on the remaining Tauranga City Council. The direction from both the Chief Executive and Elected Members was to assess the impact of options on both the council and any water CCO that might be established. Further work is being undertaken by staff to identify the risk to TCC's credit rating of a significant, or an aggressive highly leveraged financial risk position, and any consequent impact on council borrowing costs and risks.

LEGAL IMPLICATIONS

70. Part 3 of the Local Government (Water Services Preliminary Arrangements) Act sets out the alternative requirements and additional powers (from the Local Government Act 2022) for decision-making and consultation. These alternative requirements apply where Council 'is deciding whether to establish, join, or amend a water services council-controlled organisation', or 'before adopting its water services delivery plan, is making decisions in relation to an anticipated or proposed model or arrangement for delivering water services in its water services delivery plan'.

71. As part of the decision-making process section 61 of the Act sets out that Council:

(a) ***must*** *identify both of the following 2 options for delivering water services:*

(i) *Remaining with the existing approach for delivering water services: and*

(ii) *Establishing, joining, or amending (as the case may be) the WSCCO or the joint local government arrangement; but*

(b) *may identify additional options for delivering water services; and*

(c) *must assess the advantages and disadvantages of all options identified.*

72. As outlined above Council must include two models for consultation - the current model and one other. The conclusions of the financial modelling and analysis to date have identified that there are two other models that Council could consider as alternatives to the status quo - a single Council CCO or a multi-CCO. All three options have been included in the Why Wai Matters Consultation Document, as resolved at the 9 December 2024 Council meeting.

73. It should be noted that Section 13(1)(b) of the Local Government (Water Services) Bill states that a new transfer agreement must be developed and enter into if the council decides that "any responsibilities, infrastructure, or other matters transferred to the water organisation are to be returned to the authority". This clause therefore provides flexibility that allows for arrangements to revert back from a CCO to Council should it have reason to do so.

RISKS

74. A risk to Council's credit rating is outlined below along with risk mitigation measures to ensure a mutually beneficial approach is achieved.

Credit rating and bespoke covenant

75. Local Government Funding Agency (LGFA) has confirmed a bespoke covenant for TCC up to 350% debt to revenue ratio, subject to conditions that support financial sustainability including debt headroom of 20%. This covenant would provide some support to retaining waters within council relative to the 280% debt to revenue ratio that previously existed.

Under a multi-CCO with the partners currently being considered TCC would be a majority owner of the CCO and the largest guarantor to LGFA. As such, Standard & Poors credit rating would consider group debt to include the debt of the CCO. Council will continue to work through potential implications for rating and risk of a multi-CCO and will look at options to manage and mitigate potential risks and disbenefits to TCC prior to, or as part of, establishment of a multi-CCO.

Risk mitigation approaches to ensure a mutually beneficially approach

76. Council approved the preferred way forward is the establishment of a three-water multi-CCO which is mutually beneficial for TCC and partner councils and that if no suitable partner council was ready to proceed by 1 July 2026, then a Tauranga independent CCO should be established (refer to 9 December 2024 resolution (c) Attachment 5).

<u>Principles for establishing a CCO</u>

77. Staff signalled at the 9 December 2024 Council meeting that further work was needed to develop a set of principles and criteria guiding the establishment of a multi-CCO. The principles are intended to ensure beneficial arrangements between councils can be identified and implemented. The principles also act as key risk mitigation measures.

78. These principles have been developed to better reflect TCCs long-term goals and aspirations and have been organised into three groups reflecting the responsible parties for approval. The criteria have been further defined into the following categories:

- Financial Transition
- Workforce
- Customer Focus
- Legislative and Contractual Relationships
- Future Focus.

79. This work will be reported back to Council on 28 April 2025, along with key principles for working with Te Rangapū, for your consideration and approval. Prior to this meeting, staff intend to gather feedback from potential CCO partners.

<u>Pricing and debt considerations for multi-CCOs</u>

80. If Council decides to establish a multi-CCO, consideration will need to be given to different investment requirements, borrowing requirements, and costs of service. There is no requirement under Local Water Done Well to harmonise prices across communities.

Regional differences in prices can be maintained to reflect regional differences in investment, borrowing, and costs of service. In addition, there is no requirement for water service debt to be consolidated across councils in establishing a multi-CCO. It is therefore in councils' discretion to determine pricing arrangements, which can be set through legal establishment documentation, such as shareholder agreements. The MartinJenkins model summarised above shows results with non-harmonised prices.

81. MartinJenkins have also modelled harmonised prices, that show a potential higher benefit to TCC as well as for other councils. This would provide benefits flowing from greater debt capacity arising from higher pricing in the earlier years. This benefit could occur either through more aggressive pricing increases undertaken by WBOPDC than is currently proposed, or by using debt capacity of other less indebted councils.

82. It is recommended that price harmonisation could be a staged decision, and that any movement to price harmonisation should require an explicit resolution from Council with associated conditions as set out in Council's 9 December 2024 decisions to ensure mutual benefit.

TE AO MĀORI APPROACH

83. In Te Ao Māori (the Māori worldview) humans are connected physically and spiritually to land, water, air and forests. People are an integral part of ecosystems, and ecosystems are an essential part of heritage and genealogy (whakapapa). For Māori, talking about the well-being of waterbodies also means talking about the well-being of people.

84. Under Local Water Done Well, the use of a more independent entity to manage water service delivery may have an impact on the ability to contribute to decision making impacting the principles of rangatiratanga (self-determination) and kaitiakitanga (stewardship of the natural environment). Any new CCO will need to determine (with direction from the shareholding Councils), how tangata whenua participation will be developed to ensure the significant relationship between tangata whenua and water is maintained and that provision is made for continued involvement.

CLIMATE IMPACT

85. The built environment, including water networks, play a crucial role in the resilience of our city. Water infrastructure is a long-term investment, and the infrastructure built today may still be operating 100 years from now. Any future service delivery model needs to consider sustainability to be of upmost importance.

86. The *Why Wai Matters* Consultation Document includes a discussion on how the water management challenges of Tauranga are strongly connected to the city's growth. Growth over a relatively short timeframe has put increased pressure on the city's infrastructure, on our natural environment, and on Council's financial position.

CONSULTATION / ENGAGEMENT

87. The Council must consult on the options for a water service delivery model so that it can be included in the Water Services Delivery Plan.

88. The community will be consulted on *Why Wai Matters* to enable Council to obtain feedback regarding its preferred approach for water service delivery in the future. As well as questions about preferred options, the community will be asked value-based questions to ascertain the importance of some elements of Local Water Done Well.

89. Consultation will take place between 28 March 2025 and 28 April 2025, alongside the 2025/26 Annual Plan process, and hearings will be held in May 2025.

SIGNIFICANCE

90. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal

or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.

91. In making this assessment, consideration has been given to the likely impact, and likely consequences for:

    (a) the current and future social, economic, environmental, or cultural well-being of the district or region

    (b) any persons who are likely to be particularly affected by, or interested in, the matter.

    (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.

92. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the matter is of high significance.

ENGAGEMENT

93. Taking into consideration the above assessment, that the matter is of high significance, officers are of the opinion that community consultation using the special consultative procedure under the Local Government Act is the best approach. Community consultation will occur alongside the 2025/26 Annual Plan process.

94. It should be noted that engagement with Iwi and Hapū are vital next steps to inform future decisions about water service delivery. An Iwi and Hapū engagement plan has been developed, which includes a monthly pānui, and attending Rangapū hui to share key information in a timely way. In collaboration with Rangapū, we will be developing an overview of responsibilities for relationships with tangata whenua if a CCO is formed.

95. Council staff are also ensuring there is increased awareness and clear engagement channels for high water and /or trade waste users on potential changes under Local Water Done Well.

NEXT STEPS

96. Next steps for community consultation include:

    - Consultation period 28 March to 28 April 2025
    - Hearings 12-16 May 2025
    - Deliberations 26-30 May and 5 June 2025
    - Decisions reflected in Water Service Delivery Plan (due 3 September 2025).

97. Additional next steps for progressing Local Water Done Well include:

    - Principles for establishing a CCO reported to Council on 28 April 2025, following staff socialising content with potential CCO partners
    - Continue to work with potential CCO partners, particularly WBOPDC
    - Develop and refine pathways for staff, ready for a consultation period
    - Continue to engage with Iwi and Hapū and with high water / trade waste users.

ATTACHMENTS

1. **Attachment 1 - Draft Why Wai Matters Consultation Document - A17728939** ⇩
2. **Attachment 2 - Why Wai Matters Consultation Document Summary - A17728937** ⇩
3. **Attachment 3 -MartinJenkins BOP WSCCO analysis TCC_Redacted - A17726661 (Separate Attachments 1)**
4. **Attachment 4 - Bay of Plenty Water Done Well & Supplementary report 24 Jan 2025 - A17726564 (Separate Attachments 1)**

5. Attachment 5 - Extract of Minutes of Council meeting 9 and 10 December 2024 Item 11 - A17727208 ⇩

6. Attachment 6 - Transfer of Two Waters versus Three Waters - A17726710 ⇩

11.4 Street Dining License to Occupy Implementation Plan

File Number: A17520390

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PURPOSE OF THE REPORT

1. The purpose of this report is to provide a range of options to implement Council's expansion of Licence to Occupy (LTO) agreements with hospitality businesses in the city centre and Mount Maunganui.

2. These options will support the setting of appropriate fees (if applicable) for Licences to Occupy as part of the 2025/26 Annual Plan.

RECOMMENDATIONS

That the Council:

(a) Receives the report "Street Dining License to Occupy Implementation Plan ".

(b) Approves Option 1a: Implement Licences to Occupy in affected hospitality businesses in the city centre and Mount Manganui from 1 July 2025.

or

(c) Approves Option 2a: Staged rollout to include charges for current areas this Annual Plan, followed by a review of the Street Use and Public Places Bylaw during FY26 in time for a full city implementation in the next Annual Plan

(d) Amend the user fees and charges schedule for street dining adopted by Council on 3 March 2025 as follows:

Zone A - replace $20.00 with $17.06 per square metre at an 80% discount *(or $42.64 per square metre at a 50% discount)*

Zone B - replace $10.00 with $12.99 per square metre at an 80% discount *(or $32.48 per square metre at a 50% discount)*

Zone C - replace $37.50 with $18.13 per square metre at an 80% discount *(or $45.32 per square metre at a 50% discount)*

Zone D - replace $18.75 with $14.49 per square metre at an 80% discount *(or $36.23 per square metre at a 50% discount)*

or

(e) Amend the user fees and charges schedule for street dining adopted by Council on 3 March 2025 with $16.37 per square metre at an 80% discount *(or $40.92 per square metre at a 50% discount)*

EXECUTIVE SUMMARY

3. Council adopted the Street Use Policy (December 2023) and amended the Street Use and Public Places Bylaw (April 2024) to allow for a more consistent approach to charging for street dining across the city centre. This would require businesses in the city centre and Mount Manganui who would like to use a street footpath for outside commercial dining, to apply for an Outdoor Dining Licence to Occupy and pay a fee. The Bylaw came into effect on 1 July 2024.
4. The new Street Use Policy now links Licence to Occupy fees to the user fees and charges process (rather than individual valuations) as these are more consistent and transparent for businesses and are assessed annually by elected members.
5. These changes require council staff to update existing Licence to Occupy agreements currently in place with city centre businesses and establish new agreements with businesses who do not currently have one but wish to provide outdoor dining in public spaces. This is to ensure a fair and equitable approach to the use of public space for outdoor dining in a way that considers accessibility and safety.
6. At its 15 October 2024 meeting, the Community, Transparency and Engagement Committee endorsed staff to pause any implementation of charges for street dining until further detail and options could be presented to council. All current Licences had their fees waived until 1 July 2025.
7. The report outlines several potential options to implement these Licences to Occupy, or to take other actions. Staff recommend Option 1a: Implement Licences to Occupy in affected hospitality businesses in the city centre and Mount Manganui from 1 July 2025 or Option 2a: Staged rollout to include charges for current areas this Annual Plan, followed by a review of the Street Use and Public Places Bylaw during FY26 in time for a full city implementation in the next Annual Plan.
8. Licence fees will need to be adopted as part of the 2025/26 Annual Plan.
9. It is recommended that future Street Dining fees use the current zone system to help reduce operating expenses associated with fee revisions.
10. The draft for consultation user fees and charges as adopted by Council 3 March 2025 included street dining rates, it is proposed that this get amended as per the recommendations included in this report.
11. Through previous engagement on the revised policy, and engagement when rolling out the policy, it is apparent that businesses would not be able to pay a higher ‘full fee’ given the current economic climate, given this, and the benefits street dining has on vibrancy it is recommended that a discount value is included.
12. It is proposed that the fee structure is calculated through current TCC rated average land value per square meter within the zone using:
    - Zoned median land Value ($/m2) x Expected Asset Return (%) x Discount (%) = Rate
    - The recommended asset return is 5%
    - It is recommended for the FY25/26 Annual Plan includes a discount of either 50% or 80%
13. It is expected that net income from this activity would be deficit for the first year due to the proposed discount, if the decision is to roll out to the wider city, an additional year one deficit is expected.
    (a) Current Zones with 80% discount, FY25/ 26 deficit is $57,000, extending to a positive margin of $56,000 in the second year with a 50% discount.
    (b) Current Zones with 50% discount, FY25/ 26 positive margin is $7,000, extending to a positive margin of $160,000 in the second year with a 0% discount.

(c) Roll out to wider city with 80% discount, FY25/ 26 deficit is $137,000, extending to a positive margin of $46,000 in the second year with a 50% discount.

(d) Roll out to wider city with 50% discount, FY25/ 26 deficit is $73,000, extending to a positive margin of $149,000 in the second year with a 0% discount.

BACKGROUND

14. There are many hospitality businesses in Tauranga that offer outdoor dining on street footpaths as part of their service to customers.

15. Prior to the 1 July 2024 policy change there were 27 hospitality businesses in the city centre that TCC charges for the use of footpath space for outdoor dining. TCC currently manages Licence to Occupy (LTO) agreements with these businesses, which are located on the Strand, Masonic Park, Wharf Street and CBK in Red Square. These have been in place since 2013 for businesses located on The Strand, and since 2020 for businesses located on Wharf Street.

16. A LTO to use public land for street dining purposes is not a right to exclusive use by the business but allows businesses to place tables and chairs in a specified area to operate and create vibrancy in these spaces. Commercial activities are expected to pay to operate a business on council land even when that activity may have a positive benefit. Other commercial activities such as mobile shops, events, markets, surf schools, and kayak businesses are expected to pay to use council land. Other community users also have fees and charges to use council land, including community groups that arguably have a stronger case for free use.

17. In the past, fees have been charged based on an individual commercial valuation, resulting in variable charges across the businesses. At its 4 March 2024 meeting, Council resolved to apply a reduction of 80% on fees for the 2024/25 year due to ongoing disruption being caused by city centre development.

18. Businesses operating in other parts of the city centre and in Mount Manganui had not paid any LTO fees as part of offering outdoor dining space. This has created an inconsistency with how businesses are treated in relation to outdoor dining. The absence of LTOs in Mount Maunganui and some of the city centre had also led to some concerns around accessibility and safety for other users of public space. There was a view from the previous Strategy, Finance and Risk Committee that this approach was not fair with some businesses paying and others not across the city centre and Mount Maunganui.

19. In September 2023, staff presented an Issues and Options Paper related to inconsistencies with street use policies to the Strategy, Finance and Risk Committee. The report can be found on the council's website here.

20. In December 2023, Council adopted the Street Use Policy to allow for fair and consistent management and charging for street dining across the city centre and Mount Manganui. The policy resulted in an expansion of the number of hospitality businesses that will pay a fee to provide outdoor dining.

21. The current policy links LTO fees to the user fees and charges process (rather than individual valuations), as these are more consistent and transparent for businesses and are assessed annually. LTO agreements across the city centre and Mount Maunganui will also help to manage available footpath space where outdoor furniture and/or venue signage may conflict with accessible widths for pedestrians.

22. This was followed by the adoption of a draft Street Use Policy for consultation by the Strategy, Finance and Risk Committee at their 18 September 2023 meeting. The report can be found on the Council's website here.

23. To support the policy change, Council passed a resolution under the Street Use and Public Places Bylaw (2018) at the 29 April 2024 meeting, which required businesses in areas in the city centre and Mount Maunganui who would like to use a street footpath for outside commercial dining to apply for an Outdoor Dining Licence to Occupy (LTO) and pay a fee.

The Bylaw resolution came into effect on 1 July 2024. The report can be found on the Council's website here.

24. There are four street dining zones in total where LTOs currently apply:

Street Dining Zone	Annual Fees (prior to 100% discount)
Zone A – Inner city centre, South of Marsh Street to First Ave (inclusive)	$80 per square metre (80% discount in 2024/25 – $16 per square metre)
Zone B – South city centre, Second Ave to Eleventh Ave (inclusive)	$40 per square metre (80% discount in 2024/25 – $8 per square metre)
Zone C – Mount Mainstreet, Maunganui Road from Grace Road to Salisbury Ave (inclusive)	$150 per square metre (80% discount in 2024/25 – $30 per square metre)
Zone D – Mount Central, North of SH2, Hewletts Road and Golf Road (inclusive)	$75 per square metre (80% discount in 2024/25 – $15 per square metre)
Administration fee (new or reassignment)	Waived for businesses required to transition to the new user fee and charges system in the 2024/25 financial year. From 2025/26: $500

25. At the 15 October 2024 meeting of the Community, Transparency and Engagement Committee, the committee endorsed staff delaying the implementation of any new LTO fees until 1 July 2025, to allow time to engage further with affected businesses and for appropriate fee structures to be set as part of the 2025/26 Annual Plan. The report can be found here.

26. A decision is required around how LTOs will be applied for the 2025/26 financial year, in order for fees (if any) to be charged from 1 July 2025. A number of options for the implementation of LTOs are outlined in the Options Analysis section below.

27. A full timeline of decisions made related to street dining charges is shown in the table below.

Action undertaken	When this occurred
Public consultation on draft Street Use Policy	October – November 2023
Street Use Policy adopted by the Strategy Finance & Risk Committee.	December 2023
On adoption of the Street Use Policy, the committee requested that the roll out date be brought forward from the proposed 1 July 2025 to 1 July 2024 and charged at an 80% reduced rate for that financial year.	December 2023
To support the Street Use Policy, a council resolution was made under the Street Use and Public Places Bylaw to require businesses in areas in Mount Maunganui and city centre to apply for an outdoor dining licence to occupy and pay a fee.	April 2024
Decision made to delay roll out of LTOs – to avoid the election period and to allow staff time to complete the contracts, new survey areas, preparing online licences.	May 2024
Decision made to provide a 100% discount from 1st July – 31st December 2024 Agreement was made to waive 100% of Licence to Occupy (LTO) fees across all zones until 1 January 2025. This was to avoid unnecessary	August 2024

disruption to the hospitality venues that were now required to hold LTOs while Council rolled out the administrative and financial changes to both the City Centre and the Mount. While the bylaw itself wasn't changing, we are taking the necessary time to manage the project roll out of the LTO changes	
Businesses were provided with a 100% discount through to 1st July 2025, allowing more time to adjust to the change and for the economic climate to adjust before the fees were implemented.	October 2024

STATUTORY CONTEXT

28. The ability of TCC to charge for street dining is managed through a variety of tools set out in the table below.

Street Use Policy	• Sets what Council should charge by zone based on the average commercial value (taking into account factors set out in the policy) • Has an ability to temporarily reduce fees by council resolution for any reason
Street Use and Public Places Bylaw	• The bylaw gives Council the power to control the areas where food and beverage businesses must have an LTO to put furniture on the street by Council resolution (these match the current policy areas) • It also controls if LTO businesses can keep their furniture on the street overnight • It controls the area retail displays may occupy and provides an ability to license those exceeding 1.5 sqm
User Fees and Charges	• Sets the value of each street zone and administration fee (administration fee is currently free for this year)
Licence to Occupy (LTO) agreements	• Contract with the business (which should be aligned with the policy/bylaw and user fees)

29. Both the Policy and the Bylaw resolutions have been reviewed to ensure they are clearly aligned and support the requirement for LTOs to be in place for street dining in relevant areas throughout the city.

STRATEGIC ALIGNMENT

30. This contributes to the promotion or achievement of the following strategic community outcome(s):

	Contributes
We are an inclusive city	✓
We value, protect and enhance the environment	☐
We are a well-planned city	✓
We can move around our city easily	✓
We are a city that supports business and education	☐

31. TCC's strategic framework informs the council's plans and policies, which guide the implementation of these higher-level strategies in council's day-to-day activities. It is therefore important that council's approach to street use is aligned with the council's strategic direction. More specifically, the policies for how streets can be used by businesses and the

community should deliver public benefits through easy movement and accessibility, and provide inclusive, diverse, and vibrant spaces.

32. Ensuring a consistent approach to street dining charges helps to fulfil the ambitions of both the City Centre Action and Investment Plan (in particular, the strategic outcomes of: an accessible city centre, a city centre for people, and an engaging city centre) and the Mount to Arataki Spatial Plan (in particular, the outcome of liveable neighbourhoods).

33. The recommendation within this report changes the previously adopted rates included in the draft 2025/26 User Fees and Charges Annual Plan report.

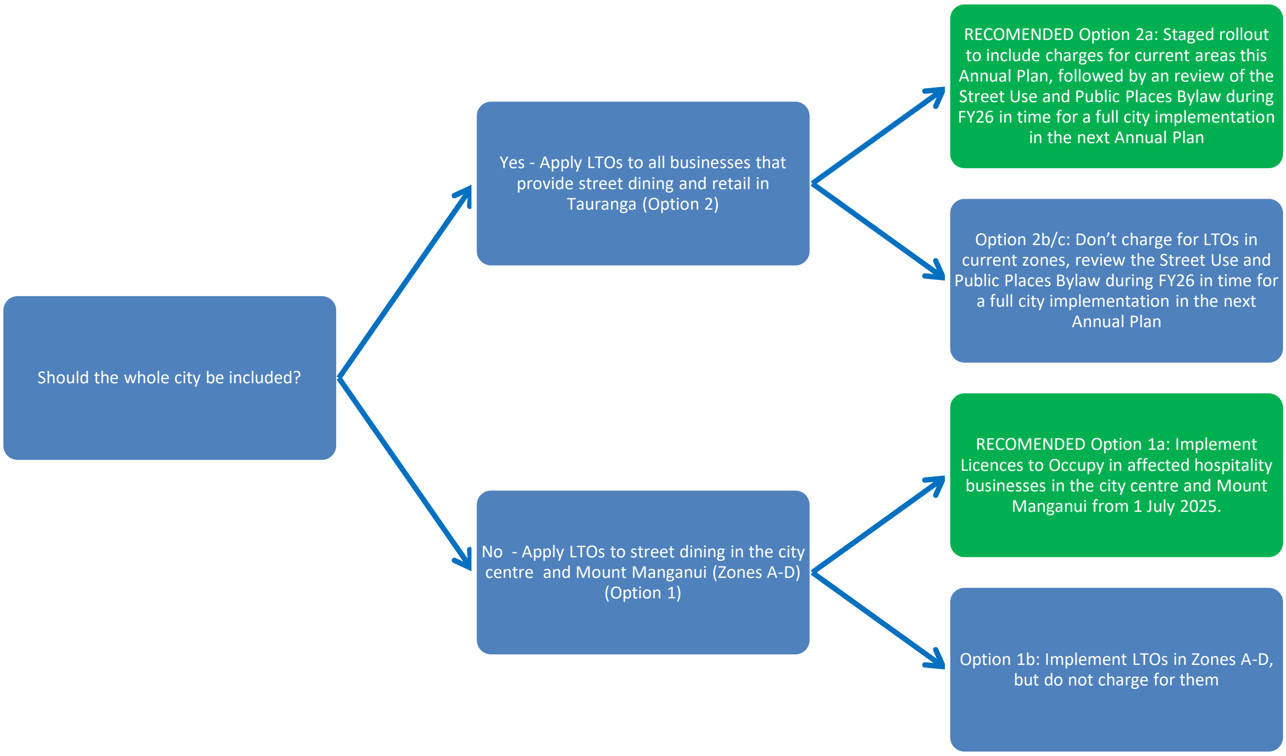
OPTIONS ANALYSIS

34. In order to begin charging for any LTOs in addition to the current zones, a formal Bylaw and Policy process must be followed. This would then allow for appropriate rates to be set and communicated to affected businesses ahead of implementation within an Annual Plan's User Fees and Charges. A decision not to charge would require Council to adopt an LTO fee within the 2025/26 Annual Plan User Fees and Charges set at $0.

35. A number of potential options are outlined below. However, an initial decision on where LTOs should apply needs to be made. Currently, staff have developed LTOs to be applied to hospitality businesses in the city centre and Mount Maunganui only (Zones A-D) as outlined in Attachment B of the Street Use and Public Places Bylaw. A citywide approach could be undertaken where LTOs are applied to all businesses within Tauranga. However, this approach would require a review of the Street Use and Public Places Bylaw to change the bylaw provisions for retail displays and include street dining for the whole city. Therefore, an initial decision about a citywide approach must first be considered. The chart below outlines the decision-making process.

36. There is not a staff recommended option on if LTOs should be applied citywide or not. However, there is a staff recommendation for each of the consequential options once this initial decision is made. These are noted below.

37. The graphic below sets out options for implementation of street dining license to occupy fees and the preferred recommendation by staff.



38. The initial options on if to apply LTOs to identified Zones A-D, or to all businesses in the city (citywide) are analysed below. The financials for each option are provided in the financial considerations section of this report.

OPTION 1: Apply LTOs to street dining in the city centre and Mount Manganui (Zones A-D)

Advantages	Disadvantages and risks
• Is the current status quo. Has been consulted on and bylaw/policy settings have been developed to support it. • Affected businesses are aware of the proposed change and it can be implemented as planned from 1 July 2025. • The vast majority of businesses that provide outdoor trading or dining are based in Zones A-D. • Does not require any further changes to policies or bylaws. • Zones A-D represent a small enough area that compliance can be effectively monitored.	**Disadvantages:** • Forgoes potential revenue that could be collected if LTOs were implemented citywide and across retail businesses. **Risks:** • Perception of an inconsistent approach and that areas outside of these zones do not have to pay for outdoor trading/dining

OPTION 2: Apply LTOs to all businesses that provide street dining and retail in Tauranga (citywide approach)

Advantages	Disadvantages and risks
• This approach may be seen as more consistent as it would apply to all affected businesses in the city. • Provides opportunities for increased revenue. • Zones A-D have been consulted on and could be implemented from 1 July 2025 (i.e. Option 1), with other areas to follow once Street Use and Public Places Bylaw is reviewed and consulted on.	**Disadvantages:** • Would require a review of the Street Use and Public Places Bylaw to include all affected businesses in the city and allow retail changes – this will result in further delays and costs. • Would require more consultation – both with newly affected businesses and the general public as part of a bylaw review. • Would further delay implementation (partially offsetting the benefits of collecting revenue from more businesses). • Most hospitality businesses are already in Zones A-D. **Risks:** • This option will require further delays and expense for little added benefit.

Current Zones Options. If council decides on Option 1 (Zones A-D), the flowing further options are identified for implementation. **OPTION 1a:** Implement Licences to Occupy in affected hospitality businesses in the city centre and Mount Manganui from 1 July 2025. (Recommended Option)

Advantages	Disadvantages and risks
• Has already been consulted on; The roll out of LTOs for Zones A-D is currently underway. • Adheres more closely with the original timeframe outlined in committee decision. • Rates can be revised through the annual plan.	**Disadvantages:** • There is still dissatisfaction from some business owners about the additional costs for new LTOs **Risks:** • Businesses slow to respond to signing up, adding additional resource and enforcement cost

OPTION 1b: Implement LTOs in Zones A-D, but do not charge for them.

Advantages	Disadvantages and risks
• Allows LTOs to be implemented without a charge to businesses, which provides council with an ability to enforce consistency to the look and feel of outdoor dining spaces. • Businesses will not face additional costs • Issues such as accessibility and clear spaces of footpaths can be more reliably enforced with LTOs in place	**Disadvantages:** • No revenue generated by council resulting in this activity becoming a net cost to the ratepayer. **Risks:** • Increased public perception that LTOs will be monitored and enforced, without any revenue collected to support this activity.

39. **Citywide LTO Options**. If council decides on Option 2 (citywide approach), the following further options are identified for implementation.

OPTION 2a: Staged rollout to include charges for current areas this Annual Plan, followed by a review of the Street Use and Public Places Bylaw during FY26 in time for a full city implementation in the next Annual Plan (Recommended Option). Noting that a bylaw review is not in the current work programme and may require reprioritisation of other work to allow it to be included.

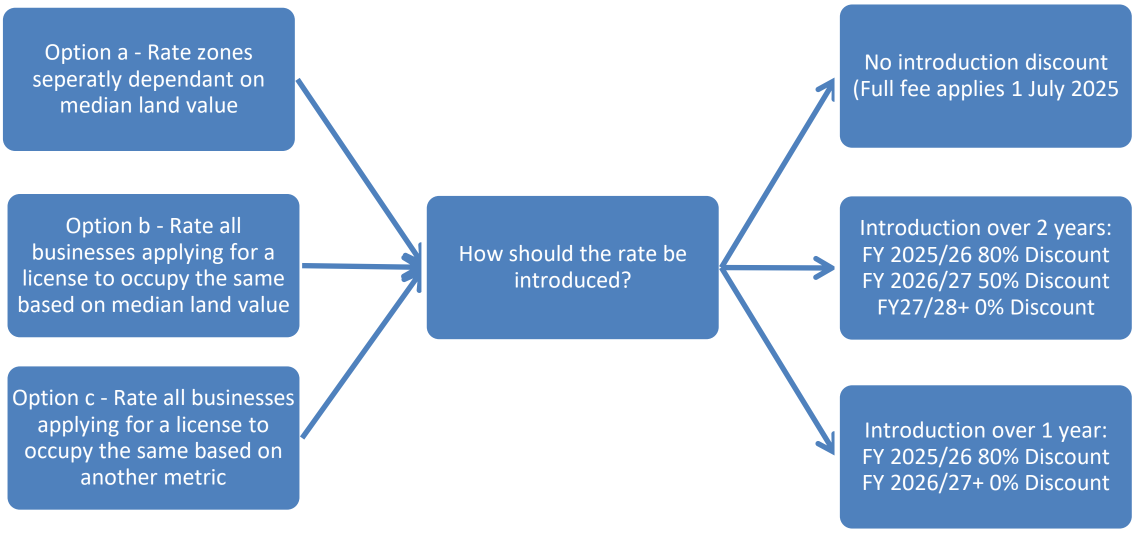
Advantages	Disadvantages and risks
• LTOs in current plan can be implemented without delay. • Revenue from existing LTO locations can be generated and contribute to enforcement and monitoring. • Allows time for Bylaw to be reviewed for the remainder of the city and allow for LTOs to be implemented more broadly, which may be viewed as fairer and more consistent to all retailers in Tauranga.	**Disadvantages:** • Charging for LTOs remains unpopular with many affected businesses. • Review of the Bylaw, and subsequent consultation will require reprioritisation of the policy work programme. **Risks:** • May lead to perceptions of inconsistencies if council has signalled an intention to implement and charge for LTOs widely across the city, but only does so in some places.

<u>OPTION 2b</u>: Don’t charge for LTOs in current zones, review the Street Use and Public Places Bylaw during FY26 in time for a full city implementation in the next Annual Plan

Advantages	Disadvantages and risks
• Allows LTOs in current plan to be implemented without a charge to businesses, which provides council with an ability to enforce consistency to the look and feel of outdoor dining spaces. • Businesses will not face additional costs • Issues such as accessibility and clear spaces of footpaths can be more reliably enforced with LTOs in place • Allows time for Bylaw to be reviewed for the remainder of the city and allow for LTOs to be implemented more broadly, which may be viewed as fairer and more consistent to all retailers in Tauranga. • A Bylaw review provides an opportunity to examine if other forms of retail should be included, as well as hospitality.	**Disadvantages:** • Review of the Bylaw, and subsequent consultation will require reprioritisation of the policy work programme. • No revenue will be collected from LTOs • Requires a commercial valuation of all zones **Risks:** • May lead to perceptions of inconsistencies if council has signalled an intention to implement LTOs widely across the city, but only does so in some places. • Public expectation that spaces will be enforced may increase without revenue being collected to help fund this. • If non-hospitality businesses are included, this will significantly increase the number of businesses who would have to pay a new fee, which would be unpopular.

<u>Fee Structure Option Analysis</u>

40. The graphic below sets out options for implementation of street dining license to occupy fees:



41. Three predominant options exist in regards to the fee structure, these being:

(a) Utilisation of the zone structure currently outlined in the bylaw/ policy, with the fee structure calculated through current TCC rated median land value per square meter within the zone using:

Zoned median land Value ($/m2) x Expected Asset Return (%) x Introduction Discount (%) = Rate

The recommended asset return is 5%

It is recommended for the FY25/26 Annual Plan the Introduction Discount is set at 50% or 80%

Zones	**Average Lane value per zone**	**Expected Asset Return**	**Total cost per sqm**	**Fee incl. Discount 80%**	**Fee incl. Discount 50%**	**FY24/ 25 Fees at 80% discount**	**Current rate adopted in draft Annual Plan**
Zone A – Inner city centre	$ 1,706	5.00%	$ 85.28	$ 17.06	$ 42.64	$16.00	$20.00
Zone B – South city centre	$ 1,299	5.00%	$ 64.95	$ 12.99	$ 32.48	$8.00	$10.00
Zone C – Mount Mainstreet	$ 1,813	5.00%	$ 90.64	$ 18.13	$ 45.32	$30.00	$37.50
Zone D – Mount Central	$ 1,449	5.00%	$ 72.46	$ 14.49	$ 36.23	$15.00	$18.75
Zone E - Other zones	*$ 1,084*	*5.00%*	*$ 54.20*	*$ 10.84*	*$ 27.10*	-	-

(b) A single per square meter rate calculated through the TCC overall median commercial rated land value per square meter using:

Zoned median land Value ($/m2) x Expected Asset Return (%) x Introduction Discount (%) = Rate

The recommended asset return is 5%

It is recommended for the FY25/26 Annual Plan the Introduction Discount is set at 50% or 80%

This rate would be:

$81.84 per square meter

At an 80% discount: $16.37 per square meter

At a 50% discount: $40.92 per square meter

(c) A single rate to encompass the charged areas. The basis of this rate would need to be decided by Council.

42. The table below provides a benefit analysis of the options:

Option	Advantages	Disadvantages
Option a) Zoned fee rate based on average land value	• Acknowledges that costs are higher in higher value areas, • Less likely to impact usage in fringe areas with a rate higher than commercially viable, • Provides a fee structure that can be assessed and adjusted based on increased land values over time,	• May impact equality for businesses in higher value areas such as Mount Maunganui and City Centre,
Option b) Single fee rate based on average value	• Provides a single, easy to communicate fee across the charged area, • Provides a fee structure that can be assessed and adjusted based on increased land values over time, • Likely to help businesses in higher value areas compete with fringe areas	• Likely to impact businesses in fringe areas greater due to the fee being higher relative to rent/ property rate costs,
Option c) Single fee rate with basis set by Council	• This fee could be easier to amend based on annual plan consultation feedback, • Likely to impact businesses in fringe areas greater due to the fee being higher relative to rent/ property rate costs, • Likely to help businesses in higher value areas compete with fringe areas	• This fee may be challenged if the perception is the rate set is higher than the value of street space, • Likely to impact businesses in fringe areas greater due to the fee being higher relative to rent/ property rate costs, • Fees in future years could fluctuate, leading to difficulty for businesses to forecast, and problems around rolling over lease agreements,

43. A secondary Option to be considered is the introduction discount rate and how to stage a reduction of this,

Option	Advantages	Disadvantages
No introduction discount (Full fee applies 1 July 2025)	• Increased revenue	• Likely to have a significant impact on businesses
Introduction over 2 years: FY 2025/26 80% Discount FY 2026/27 50% Discount FY27/28+ 0% Discount	• Provides a longer eased in approach allowing businesses to forecast expenses	• Activity takes four years to create overall positive revenue
Introduction over 2 years: FY 2025/26 50% Discount FY 2026/27+ 0% Discount	• Provides an eased in approach allowing businesses to forecast expenses	• Allows the activity to create an overall positive revenue after year 2

FINANCIAL CONSIDERATIONS

44. TCC had been generating approximately $18,000 annually from the 27 existing Licence to Occupy fees in the city centre (at the 80% discount rate). No revenue has been collected since 15 October 2024 as a decision was made to halt all charges until 1 July 2025.

45. All options that result in the implementation and charging for LTOs will result in an increase in revenue for street dining once fully implemented. The charge for each zone is set annually through the user fees and charges process and exact revenue will depend on the set charge, and the number of businesses wanting to have street dining. Part of the revenue collected could be assigned to improving the streetscape in these areas.

46. The implementation of LTOs (and revenue generated) will result in raised public expectation that these spaces will be monitored to ensure compliance. The table below outlines the enforcement requirements and cost for each option.

47. Option 2a and 2b will require a reprioritisation of the policy work programme to review the Street Use and Public Places Bylaw outside of its scheduled review timeframe.

48. There is an administration fee of $500 for new or changed LTOs. This has been waived for FY 24/25, and this is a one-off fee payable at the time the contract is signed. The administration fee is included within user fees and charges and is tied to the lease change fee for the community and reflects an approximate cost of the effort associated with this activity.

49. A number of possible scenarios have been assessed for their financial impacts. The below tables provide a revenue and expense breakdown, the financials provided below are subject to change. In the first year both 80% and 50% discounts on rates have been provided for to enable an understanding for the discount impact on revenue, a 3.8% per annum inflation has been assumed throughout the period.

Current zones under the bylaw utilising the zoned fee rate based on land value

Type	Description	FY25/26 (80% Discount)	FY25/26 (50% Discount)	FY26/27 (Full Fee)	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Revenue											
Income from LTO		**$ 43,343**	**$ 106,857**	**$ 212,714**	**$ 220,759**	**$ 229,110**	**$ 237,778**	**$ 246,776**	**$ 256,116**	**$ 265,810**	**$ 275,873**
Zone A	Inner City Centre, South of Marsh Street to First Ave (Incl)	$ 27,504.85	$ 68,762	$ 137,524	$ 142,750	$ 148,175	$ 153,805	$ 159,650	$ 165,717	$ 172,014	$ 178,550
Zone B	South City Centre, Second Ave to Eleventh Ave (Incl)	$ 1,035.30	$ 2,588	$ 5,177	$ 5,373	$ 5,577	$ 5,789	$ 6,009	$ 6,238	$ 6,475	$ 6,721
Zone C	Mount Mainstreet, Maunganui Road from Grace Avenue (Incl)	$ 8,264.56	$ 20,661	$ 41,323	$ 42,893	$ 44,523	$ 46,215	$ 47,971	$ 49,794	$ 51,686	$ 53,650
Zone D	Mount Central, North of SH2, Hewletts Road and Gold Road (Incl)	$ 5,538.16	$ 13,845	$ 27,691	$ 28,743	$ 29,835	$ 30,969	$ 32,146	$ 33,367	$ 34,635	$ 35,951
One off Admin Fee	Applies to new LTO contracts only (not renewals) $500	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Expenses		**$ 100,000**	**$ 100,000**	**$ 53,041**	**$ 55,056**	**$ 57,148**	**$ 59,320**	**$ 61,574**	**$ 63,914**	**$ 66,343**	**$ 68,864**
FTE Count	Sum of employee FTE	1	1	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Cost per FTE	Employee cost / FTE	$ 100,000	$ 100,000	$ 53,041	$ 55,056	$ 57,148	$ 59,320	$ 61,574	$ 63,914	$ 66,343	$ 68,864
Net Margin		**-$ 56,657**	**$ 6,857**	**$ 159,674**	**$ 165,703**	**$ 171,962**	**$ 178,458**	**$ 185,202**	**$ 192,201**	**$ 199,467**	**$ 207,009**

Current zones under the bylaw in FY25/26, increasing to city wide from FY26/27, utilising the zoned fee rate based on land value

Type	Description	FY25/26 (80% Discount)	FY25/26 (50% Discount)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Revenue											
Income from LTO		**$ 43,342.86**	**$ 106,857.15**	**$ 232,226.30**	**$ 241,012.90**	**$ 250,133.39**	**$ 259,600.46**	**$ 269,427.28**	**$ 279,627.52**	**$ 290,215.36**	**$ 301,205.55**
Zone A	Inner City Centre, South of Marsh Street to First Ave (Incl)	$ 27,505	$ 68,762	$ 137,524	$ 142,750	$ 148,175	$ 153,805	$ 159,650	$ 165,717	$ 172,014	$ 178,550
Zone B	South City Centre, Second Ave to Eleventh Ave (Incl)	$ 1,035	$ 2,588	$ 5,177	$ 5,373	$ 5,577	$ 5,789	$ 6,009	$ 6,238	$ 6,475	$ 6,721
Zone C	Mount Mainstreet, Maunganui Road from Grace Avenue (Incl)	$ 8,265	$ 20,661	$ 41,323	$ 42,893	$ 44,523	$ 46,215	$ 47,971	$ 49,794	$ 51,686	$ 53,650
Zone D	Mount Central, North of SH2, Hewletts Road and Gold Road (Incl)	$ 5,538	$ 13,845	$ 27,691	$ 28,743	$ 29,835	$ 30,969	$ 32,146	$ 33,367	$ 34,635	$ 35,951
Zone E	Rest of City	$ -	$ -	$ 19,512	$ 20,253	$ 21,023	$ 21,822	$ 22,651	$ 23,512	$ 24,405	$ 25,333
One off Admin Fee	Applies to new LTO contracts only	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Expenses		**$ 180,000**	**$ 180,000**	**$ 83,040**	**$ 86,196**	**$ 89,471**	**$ 92,871**	**$ 96,400**	**$ 100,063**	**$ 103,866**	**$ 107,812**
FTE Count	Sum of employee FTE	1.8	1.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Cost per FTE	Employee cost / FTE	$ 180,000	$ 180,000	$ 83,040	$ 86,196	$ 89,471	$ 92,871	$ 96,400	$ 100,063	$ 103,866	$ 107,812
Net Margin		**-$ 136,657**	**-$ 73,143**	**$ 149,186**	**$ 154,817**	**$ 160,662**	**$ 166,730**	**$ 173,027**	**$ 179,564**	**$ 186,350**	**$ 193,393**

Current zones under the bylaw in FY25/26, increasing to city wide from FY26/27, utilising a single fee rate based on land value

Type	Description	FY25/26 (80% Discount)	FY25/26 (50% Discount)	FY26/27	FY27/28	FY28/29	FY29/30	FY30/31	FY31/32	FY32/33	FY33/34
Revenue											
Income from LTO		**$ 44,524**	**$ 109,811**	**$ 248,085**	**$ 257,474**	**$ 267,220**	**$ 277,336**	**$ 287,837**	**$ 298,737**	**$ 310,051**	**$ 321,795**
Current Zones	All Zones provided for in Bylaw	$ 43,524	$ 108,811	$ 217,622	$ 225,892	$ 234,476	$ 243,386	$ 252,635	$ 262,235	$ 272,200	$ 282,543
Rest of City				$ 29,462	$ 30,582	$ 31,744	$ 32,950	$ 34,202	$ 35,502	$ 36,851	$ 38,252
One off Admin Fee	Applies to new LTO contracts only	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000
Expenses		**$ 180,000**	**$ 180,000**	**$ 83,040**	**$ 1,038**	**$ 1,038**	**$ 1,038**	**$ 1,038**	**$ 1,038**	**$ 1,038**	**$ 1,038**
FTE Count	Sum of employee FTE	1.8	1.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Cost per FTE	Employee cost / FTE	$ 180,000	$ 180,000	$ 83,040	$ 1,038	$ 1,038	$ 1,038	$ 1,038	$ 1,038	$ 1,038	$ 1,038
Net Margin		**-$ 135,476**	**-$ 70,189**	**$ 165,045**	**$ 256,436**	**$ 266,182**	**$ 276,298**	**$ 286,799**	**$ 297,699**	**$ 309,013**	**$ 320,757**

50. The proposed rates would result in example fees such as:

Type of Use	Cost per year using zoned fees based on land value			Cost per year using whole city rate based on land value		
% Discount	**80%**	**50%**	**0%**	**80%**	**50%**	**0%**
City Centre bar with a couple of tables (15m2)	$ 255.84	$ 639.60	$ 1,279.20	$ 245.52	$ 613.80	$ 1,227.60
City Centre restaurant with a large, seated area (48m2)	$ 477.57	$ 1,193.92	$ 2,387.84	$ 458.30	$ 1,145.76	$ 2,291.52
South City Centre café with a couple of tables (15m2)	$ 194.85	$ 487.13	$ 974.25	$ 245.52	$ 613.80	$ 1,227.60
Mount Maunganui main street café with a couple of tables (15m2)	$ 271.92	$ 679.80	$ 1,359.60	$ 245.52	$ 613.80	$ 1,227.60
Mount Maunganui main street bar with a large, seated area (48m2)	$ 870.14	$ 2,175.36	$ 4,350.72	$ 785.66	$ 1,964.16	$ 3,928.32
Mount Maunganui central café with a couple of tables (15m2)	$ 217.38	$ 543.45	$ 1,086.90	$ 245.52	$ 613.80	$ 1,227.60

LEGAL IMPLICATIONS / RISKS

51. The introduction of new fees for outdoor dining are generally unpopular for businesses who are currently not paying for this.
52. Staff have undertaken significant engagement with these businesses to support the change and ensure a smooth transition and provide a direct point of contact for any concerns.
53. If Option 2 (citywide approach) was chosen as the preferred option, further engagement with a large number of businesses across the city will need to occur.

CONSULTATION / ENGAGEMENT

54. Zoned dining charges for street dining was one of the issues that was consulted on as part of the review of the Street Use Policy from 4 October – 4 November 2023. The consultation was advertised on the council website, social media, and public notices. Hard copies of the consultation material were also available at Customer Services at He Puna Manawa and all our libraries, as well as the Mount Hub. Members from the Policy team were available to answer question from submitters during the consultation process. The consultation was carried out in line with the Local Government Act 2002 and Council's Significance and Engagement Policy.
55. There were 317 responses on the issue of zoned dining charges for street dining. Of these, 42% of responses were in favour, and 48% were opposed.
56. Key reasons given for disagreeing with the proposal included views that:
    - street dining should be encouraged due to the vibrancy it brings to the city
    - commercial charges would impact the viability of businesses noting the effects of Covid, roadworks, and cost of living have reduced their ability to absorb costs
    - charges would flow through as costs to customers
    - preference to not impose rules or regulation
    - not enough clarity on what the fee would be
    - the use of the pavement had little impact on residents and should be freely provided
    - commercial rates should be sufficient contribution.
57. Key reasons given for agreeing with the proposal included views that:
    - those using public space for financial benefit should be charged
    - street dining can be an inconvenience for other street users
    - the funds raised could be reinvested in public spaces
    - street dining is encroaching too much into the pedestrian's way.
58. The potential expansion of areas included for LTO agreements was also one of the issues consulted on as part of the 2024-34 Long-term Plan as part of the wider consultation related to user fees and charges.
59. Staff have undertaken extensive engagement with affected businesses (especially those in areas where new LTOs would apply) in November and December 2024.

SIGNIFICANCE

60. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal, or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
61. In making this assessment, consideration has been given to the likely impact, and likely consequences for:

(a) the current and future social, economic, environmental, or cultural well-being of the district or region

(b) any persons who are likely to be particularly affected by, or interested in, the decision.

(c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.

62. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decision is of low significance.

ENGAGEMENT

63. Taking into consideration the above assessment, that the decision is of low significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

NEXT STEPS

64. Next steps are dependent on the adopted option, it is envisioned these would be:

65. Option 1a – Proceed with User Fees and Charges process as per the 2025/26 Annual Plan process with Zones A-D being charged the adopted fees from 1 July 2025

66. Option 2a

(a) Proceed with User Fees and Charges process as per the 2025/26 Annual Plan process with Zones A-D being charged the adopted fees from 1 July 2025

(b) Development of policy/ bylaw change during the 2025/26 year with the goal of implementing these changes within the 2026/27 Annual Plan.

ATTACHMENTS

Nil

11.5 Transport Resolutions Report: 54

File Number: **A17123624**

Author: **Will Hyde, Senior Transportation Engineer**
Karen Hay, Acting Manager: Safety and Sustainability

Authoriser: **Nic Johansson, General Manager: Infrastructure**

PURPOSE OF THE REPORT

1. This report proposes the introduction, removal or amendment of traffic controls throughout the city, and seeks a resolution from Council to implement or resolve these proposals. The proposals relate mainly to traffic and parking controls.

RECOMMENDATIONS

That the Council:

(a) Receives the report "Transport Resolutions Report: 54".

(b) Resolves to amend the Traffic and Parking Bylaw 2023 by adopting the proposed traffic and parking controls relating to new subdivisions and minor changes for general safety, operational or amenity purposes, as per Attachment A of this report.

(c) The changes are to become effective on or after the 25th of March 2025 subject to installation of appropriate signs and road markings.

EXECUTIVE SUMMARY

2. As the city grows and changes, the demands on the road network also change. Often there can be conflict between the need to keep traffic lanes clear to enable an efficient network, the need to provide on-street parking and loading to support nearby activities, restrict parking to improve access and the need for vulnerable road users such as pedestrians and cyclists to move around the city safely.

3. Attachment A sets out changes for general access, safety and operational reasons. Some of these are requests from the public or other stakeholders for numerous small changes to parking controls which have been assessed to be appropriate.

4. Some changes relate to previously approved capital projects or historic parking controls that have already been completed, recently completed, or are nearing completion. These require an update to the bylaw to enable enforcement of the proposed controls.

5. Some of these are controls were introduced as consent conditions of recently completed subdivisions.

6. Amendments include changes to the following attachments to the Traffic & Parking Bylaw (2023):

   (a) Attachment 7.1: No Parking Behind Kerb

      (i) These relate to people parking on the berm in Grange Road restricting access when getting on or off the bus. No parking on the berm on Bale Close and Pasture Way in Papamoa East relate to resource consent conditions.

   (b) Attachment 7.2: No Stopping at Any Time

      (i) These relate to removal of restrictions on Oceanbeach Road to enable more parking and numerous historic or reinforcing current restrictions. Introduction of new restrictions at Tomika Crescent and Putaka Crescent at the request of local resident due to operational and safety issues.

(c) Attachment 7.9 Parking Time Restrictions

(i) The proposal aims to increase parking turnover due to high demand by introducing a 180-minute parking restriction near the access points on the ground floor of the Elizabeth Street and Spring Street car parks.

BACKGROUND

7. The Traffic and Parking Bylaw 2023 includes attachments which list various traffic and parking restrictions. Council can amend the attachments by Council resolution.

8. The Council regularly adds, removes or amends traffic and parking controls to reflect and support operational and safety needs on the road network. The proposed amendments in Attachment A are minor changes to parking restrictions across the city which have arisen through requests from the public, transportation staff, or other stakeholders; or changes resulting from approved developments.

STATUTORY CONTEXT

9. The amendments help to achieve the vision and strategic transport priorities of making our network safer and easier for people to get around the city.

STRATEGIC ALIGNMENT

10. This contributes to the promotion or achievement of the following strategic community outcome(s):

	Contributes
We are an inclusive city	✓
We value, protect and enhance the environment	✓
We are a well-planned city	✓
We can move around our city easily	✓
We are a city that supports business and education	✓

11. The recommendations address a number of minor issues affecting safety and/or amenity and contribute to the safe and efficient operation of the city's transport network.

OPTIONS ANALYSIS

12. For the proposed changes related to general operations the reasons for each proposal are described in Appendix A. In each case the problem identified is expected to continue if the proposed amendment is not adopted.

13. The proposals are independent of each other, and Council may resolve to adopt some, all or none of them.

FINANCIAL CONSIDERATIONS

14. The signs and markings costs associated with general operational changes are minor and can be accommodated within existing project or operational budgets.

15. For projects that are already complete, these resolutions are retrospective, and no additional cost is envisaged.

LEGAL IMPLICATIONS / RISKS

16. These proposals are required in order to allow enforcement of changes deemed necessary for safety and amenity purposes. Council has an obligation to address known safety issues on the road network.

TE AO MĀORI APPROACH

17. The proposals variously create small safety and/or amenity improvements for our residents and visitors, and therefore align with the principal of manaakitanga.

CLIMATE IMPACT

18. Given this report relates to regulatory procedure, no climate impact assessment is made.

CONSULTATION / ENGAGEMENT

19. Consultation is conducted on a case-by-case basis, depending on the nature and significance of the proposed change. For land development works, broader community consultation is typically not required as these are typically part of a resource consent condition. For historic restrictions, consultation is typically not undertaken.
20. For certain projects, consultation was undertaken as part of the project development and the design approved.
21. For new restrictions, consultation may not be undertaken, depending on the impact and whether or not it is requested by those affected.
22. Should the new restriction affect property owners who are unaware of the proposed change, those immediately adjacent to the change will be notified in advance, and their views will be considered. Minor adjustments to the proposal may be made as a result. Details of the consultation are provided in Appendix A.

SIGNIFICANCE

23. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
24. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
    (a) the current and future social, economic, environmental, or cultural well-being of the district or region
    (b) any persons who are likely to be particularly affected by, or interested in, the .
    (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.
25. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decision is of low significance.
26. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decision is of low significance.

ENGAGEMENT

27. Given that the changes either relate to resource consent conditions, historic parking restrictions, or modifications that primarily affect adjacent landowners, they are considered to be of low significance.
28. Taking into consideration the above assessment, that the decision is of low significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

NEXT STEPS

29. If approved, council staff will undertake any necessary notification of affected parties and implement the agreed changes, as identified in Attachment A.

ATTACHMENTS

1. Appendix A - Transport Resolutions Report 54 - A17637248 ⇩

11.6 Remuneration for Tangata Whenua Representatives Appointed to Three Standing Committees

File Number: **A17684518**

Author: **Stacey Mareroa-Roberts, Manager: Strategic Māori Engagement**
Coral Hair, Manager: Democracy and Governance Services

Authoriser: **Christine Jones, General Manager: Strategy, Growth & Governance**

PURPOSE OF THE REPORT

1. This report recommends remuneration for the Tangata Whenua representatives who will be appointed to three of the Council's standing committees.

RECOMMENDATIONS

That the Council:

(a) Receives the report "Remuneration for Tangata Whenua Representatives Appointed to Three Standing Committees".

(b) Approves remuneration for the Tangata Whenua representatives on the City Future Committee, the City Delivery Committee and the Audit and Risk Committee at

(i) $1,085 per day, $542 per half day, to a maximum of 25 days per financial year

OR

(ii) $1,195 per day, $597 per half day, to a maximum of 25 days per financial year.

EXECUTIVE SUMMARY

2. The remuneration consultant firm Strategic Pay was engaged to review the remuneration of the Tangata Whenua representatives who will be appointed to the City Future Committee, the City Delivery Committee and the Audit and Risk Committee at today's meeting.

3. Strategic Pay's report recommends

   (i) a daily rate of between $1085-$1,195, half day of $542-$597 for all committee representatives with a maximum of 25 days OR

   (ii) annual remuneration in a range between $27,000 to $30,000 for the City Future Committee and City Delivery Committee representatives and $20,000 to $27,000 for the Audit and Risk Committee based on the difference in the number of meetings for these committees.

4. The Council at its meeting on 10 December 2024 resolved remuneration for the Independent Chair of the Audit and Risk Committee based on a meeting fee of $1,430 per day, $800 per half day, to maximum of 30 days per financial year.

5. The recommendation in the report is based on the following:

   - the preference expressed by the Council for a meeting fee based on a per day/half day rate
   - the recommendation from Strategic Pay based on their analysis – with a range for the daily rate/half day rate
   - the relativity with the remuneration of the Independent Chair of the Audit and Risk Committee

6. The Council can decide on the remuneration levels for these positions. It is recommended that these are set based on Strategic Pay's advice.

7. There is budget provided for the remuneration of these representatives.

BACKGROUND

8. The Council resolved remuneration for external representatives on council committees on 10 December 2024 which included remuneration for the Independent Chair of the Audit and Risk Committee, which was set at $1,430 per day, $800 per half day, to maximum of 30 days per financial year. The Council expressed a preference for remuneration to be paid on a per day/half day, based on the Cabinet Fees framework.

9. On 10 December 2024 the Council considered benchmarking information from other councils relating to remuneration for iwi representatives on committees and this information is not repeated here.

10. The remuneration consultant firm Strategic Pay was engaged to review the remuneration of the Tangata Whenua representatives who will be appointed to the City Future Committee, the City Delivery Committee and the Audit and Risk Committee.

11. Strategic Pay's approach as set out in their report in Attachment 1, was to:

    (a) Consider the broader marketplace for governance fees including the State Services Commission's Cabinet Fees framework;

    (b) Look at Committee fee levels and overall fee levels compared to data collected and analysed in their annual February 2024 New Zealand Directors' Fees Survey.

    (c) Consider the relativity with the remuneration of Councillors with no additional responsibilities.

12. Strategic Pay's recommendations are set out in the table below.

Role / Committee	Recommended Fees Range		Full day Pay	Half day pay
Strategic Pay Directors Fees Survey	$20,000	$27,171	$1,086	$543
SSC Fees Framework	$15,535	$29,875	$1,195	$597
Relativities to Councillor Analysis (approximately 15% - 20% of full council duties based on workload)	$20,385	27,180	$1,085	$542

13. Strategic Pay was advised of the position descriptions for the Tangata Whenua representatives (see attachments 2-4) and the terms of reference for each committee.

14. The decision to remunerate Tangata Whenua representatives appointed to standing committees is consistent with the previous council decisions.

STATUTORY CONTEXT

15. Clause 31(1) Schedule 7 of the Local Government Act (LGA 2002) provides that Council may appoint or discharge any member of a committee. Clause 31(3) provides for the Council to appoint persons who are not members of the Council to its committees if, in the opinion of the local authority, that person has the skills, attributes, or knowledge that will assist the work of the committee.

16. Section 14 of the LGA 2002 requires a local authority, in performing its role, to act in accordance with the principles specified. These principles include, in subsection 14(1)(d), that a local authority should provide opportunities for Māori to contribute to its decision-making processes.

17. Section 81(1)(a) and (b) of the LGA 2002 require that a local authority must (a) establish and maintain processes to provide opportunities for Māori to contribute to the decision-making processes of the local authority; and (b) consider ways in which it may foster the development of Māori capacity to contribute to the decision-making processes of the local authority.

STRATEGIC ALIGNMENT

18. This contributes to the promotion or achievement of the following strategic community outcome(s):

	Contributes
We are an inclusive city	✓
We value, protect and enhance the environment	✓
We are a well-planned city	✓
We can move around our city easily	✓
We are a city that supports business and education	✓

OPTIONS ANALYSIS

Option 1 – Set remuneration based on Strategic Pay advice – Recommended option

19. In this option the Council would accept the expert advice provided by Strategic Pay and set the remuneration based on the ranges supplied.

20. The Council has the option of setting remuneration anywhere in the ranges provided by Strategic Pay on either a meeting fee for a full/half day or on a per annum basis.

21. This option would be consistent with the previous decisions regarding remuneration for externally appointed members based on advice from Strategic Pay.

Option 2 – Set remuneration not based on Strategic Pay advice

22. In this option the Council could set remuneration at levels that are not based on Strategic Pay advice.

23. This option is not recommended as the Council would not be guided by expertise in this matter.

FINANCIAL CONSIDERATIONS

24. The budget provides for remuneration for representatives appointed to Council committees.

LEGAL IMPLICATIONS / RISKS

25. There are no legal implications. There is a potential risk of not attracting or retaining external appointees to committees if remuneration does not reflect the workloads and complexities of these committees.

TE AO MĀORI APPROACH

26. The remuneration of tangata whenua representatives to standing committees is aligned with the goals in Council’s Te Ao Māori approach, particular Whaia te Tika, doing the right thing for our community and each other, Whanaungatanga, of working together in partnership, relationships and network support systems, Manaakitanga in listening to show we care and

promoting and enabling fuller participation for Māori to contribute to decision-making processes.

CLIMATE IMPACT

27. This decision does not have a climate impact.

CONSULTATION / ENGAGEMENT

28. No community engagement is required.

SIGNIFICANCE

29. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.

30. In making this assessment, consideration has been given to the likely impact, and likely consequences for:

    (a) the current and future social, economic, environmental, or cultural well-being of the district or region

    (b) any persons who are likely to be particularly affected by, or interested in, the decision.

    (c) the capacity of the local authority to perform its role, and the financial and other costs of doing so.

31. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the decision is of low significance.

ENGAGEMENT

32. Taking into consideration the above assessment, that the decision is of low significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

NEXT STEPS

33. Tangata Whenua representatives are advised of remuneration.

ATTACHMENTS

1. **Strategic Pay - report on fees Tangata Whenua Representatives three standing committees - March 2025 - A17723556** ⇩
2. **Position description - Tangata Whenua representative Audit and Risk Committee - A17470772** ⇩
3. **Position description - Tangata Whenua representative City Delivery Committee - A17470773** ⇩
4. **Position description - Tangata Whenua representative City Future Committee - A17470774** ⇩

12 DISCUSSION OF LATE ITEMS

13 PUBLIC EXCLUDED SESSION

Resolution to exclude the public

RECOMMENDATIONS

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
13.1 - Public Excluded Minutes of the Council meeting held on 10 February 2025	s6(b) - The making available of the information would be likely to endanger the safety of any person s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege s7(2)(h) - The withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
13.2 - Public Excluded Minutes of the Council meeting held on 24 February 2025	s7(2)(i) - The withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
13.3 - Appointment of Tangata Whenua representatives to standing committees	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	s48(1)(a) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

14 CLOSING KARAKIA