Submission to Wellington City Council's Rating Policies Review

13 November 2026

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This submission is written in response to the council's October 2026 Rating Policies Review consultation document.

Implications of possible local body amalgamation in greater Wellington

The document is consulting on several substantial possible changes to the Wellington city rating policies. My overarching observation is that even if some of those proposed changes made sense in their own right and in the abstract, it is hard to see why you would wish to push ahead on these matters (including putting residents and other affected parties to the cost of engaging and responding) when councillors themselves appear to have recently voted in favour of disestablishing Wellington City Council itself and having it wound into some or other model of the region-wide local authority. Surely the time for consultation on major change to rating policies is either a) when/if amalgamation is eventually ruled out, or b) by the new amalgamated council on rating policy for the entire region for which it would become responsible? A shift to land value rating is the most substantial change you are consulting on, which (as you note) would come at a non-trivial transitional direct costs for the council (borne by ratepayers), when all the neighbouring territorial local authorities are (as you note) using capital value rating. And your direct costs would be likely to pale into insignificance relative to the costs to ratepayers themselves if such a change was to be implemented (with a non-trivial chance of later being unwound by any new mega council). Even if you believe that some version of land value rating is the best approach longer-term, the time to make that case is when the future form of greater Wellington local government is settled.

The consultation document briefly mentions the amalgamation issue, but since no connections are drawn it appears to be there for presentational completeness rather than as a sign that the possible implications have been seriously considered. That isn't good enough.

SPECIFIC PROPOSALS

I have no particular comments to make on proposal 5 (on rates remission).

Proposal 4 is to split out the new Wellington water entity, and enable a differential commercial rate to be set for it. No rational economic case is made for this proposal, or for the possibility of at some future date of setting a lower rate on this Council-owned entity than other commercial entities faces. The only case advanced is the rather unconvincing suggestion that it might be expensive for households, as the entity improves its capital stock, if a standard commercial rate was imposed under a capital value rating system. Rating revenue has to be raised from somewhere, and there is no obvious reason (nor one presented in the single page of the consultation document) for why a water company should be treated differently than other commercial operations. I presume that if the council was to move to land value rating, proposal 4 would in any case be moot and not proceeded with?

Proposal 2: Reducing the general commercial rates differential

[1] I am a resident and ratepayer in Wellington city.

I am certainly supportive of the direction proposed here, reducing the extremely high commercial rates differential. However, what is proposed is insufficiently ambitious. By the look of your chart on page 17, even if the proposed change was implemented median commercial rates as a per cent of capital value would still be higher in Wellington than those of any of urban TLAs shown. There is almost no serious rationale in the consultation document for a substantial differential at all.

The third of the three bullet points, the suggestion (as an argument) that any other "would have a substantial impact on residential ratepayers", is simply laughable. (It is realpolitik perhaps, but no solid basis for belonging in a consultation document.) The second (differential tax treatments) is not much more persuasive, given that residential ratepayers are not taxed on the imputed rental value of their properties (and in any case tax treatment is purely a central government issue). I presume that the first of the three bullets listed - the commuter workforce that comes into Wellington city from other TLAs - is supposed to be the most robust. But it is difficult to see how, particularly under the capital value rating system (which seems to be the default in this proposal). Workers who come into the city need offices etc. Those offices pay rates on the capital value. Meanwhile, those workers do not sleep in the city, use its parks and playing fields, and probably typically use a distinctly limited proportion of the roads and footpaths (those connecting the central city to either the railway station or the state highway network out of Wellington city). The argument for a differential might have more strength under a land value rating system…..or might be another argument against such a system, since land value will very weakly align with actual use of or demand for council services.

I note that under the default land value rating system proposed, you envisage the commercial differential **increasing** substantially if the existing commercial/residential revenue split was to be maintained. Such a differential would be totally indefensible (and no attempt is made in the consultation document to defend it).

Finally, I would note that the (greater) Wellington economy has a somewhat captive market, in the form of central government (and all the support services, and services to the workforce). That is probably the only reasons Wellington TLAs have so far been able to sustain such high commercial differentials (even as genuinely competitive tradables sector businesses have moved away from the region). The appropriate starting point benchmark for the commercial differential should be those used in Auckland and Christchurch, both cities reliant primarily on the private sector.

Proposal 3: Extending the vacant land differential area

The existing vacant land differential is large and arbitrary. It should be abolished rather than extended (and in particular it would be a nonsense if a land value rating option were eventually to be chosen, an interaction which does not seem to be discussed in the document). I am, thus, opposed to the Council playing frustrated property developer and proposing to extend the zone. Why Adelaide Road and Riddiford St? Why not (for sake of argument) Ngaio gorge or Ngauranga Gorge? For that matter, why not Mt Victoria (still carefully excluded even as Thorndon is included). It is simply an incoherent model, and speaks more to a council that thinks it should control what development occurs where, rather than a rational revenue-raising model that adequately reflects the pressure placed on council services and some allowance for ability to pay (noting that progressivity should be primarily a central government consideration).

The very brief treatment of this issue in the document says it is about owners of vacant land and derelict buildings paying "their fair share of costs", but no serious fairness criteria are introduced. We are told, for example, that without this huge differential the property would have low rates (relative to other properties in the area). Isn't that rather the point of a capital value rating model?

If one has it, properties with a low capital value pay less rates. And, almost by definition, properties with little or no buildings put less burden than typical on council services (no resident, no workers). There is no good public policy reason (and nor is one attempted) for councils to attempt to coerce development (including in particular locations preferred by today's elected councillors and their officials). In fact, the argument seems to be reduced to not much more than aesthetics: that empty sections "have a negative impact on the perceptions of the central city" (whose perceptions isn't really made clear). But apparently you think there are no such aesthetic concerns anywhere else in the city?

It is also striking, but perhaps not surprising, that the consultation document has no distributional analysis of the burden of such a localised change on existing landowners, who bought under one regime and then risk finding themselves exposed to a very different one. One might also have expected some analysis (early as it may be) of the impact and implications of the initial introduction of the existing vacant land differential. Or is serious economic analysis too much to hope for from WCC?

Proposal 1: Changing from a capital value to a land value rating base

My comments at the start of this submission about the implication of possible amalgamation (a process being championed by the Council itself) should be reread here. Even if the underlying case for LVR was robust, this is not the time or environment to consider making such a change.

It is startling how little analysis is presented by the Council in support of this option, which would represent a very major change, with large distributional consequences. That is particularly so when, as the document notes, the trend in New Zealand TLAs has been fairly strongly towards greater reliance on capital value bases (50 per cent of councils 20 years ago and 65 per cent now). In other words, the drift has been in the opposite direction to that the council proposes for Wellington. That would normally be expected to increase the burden of proof on those wanting to make the proposed change.

What is also striking is that there appears to have been no analysis undertaken at all on what differences there have been in land use utilisation etc between TLAs with land value rating and those with capital value rating. From the assertions offered in support of change, one would have to suppose that you believe these differences are substantial and persistent. But do you have any evidence? Similarly there is no discussion, let alone empirical evidence, on how land pricing or utilisation changed as councils moved from one rating base to another (of which, on the numbers you do present, there must be plenty of quite recent examples). Similarly, you present no analysis of the extent of the behavioural change you expect, or how to evaluate that against the rather arbitrary redistribution of the existing rates burden you propose.

How can expect residents to take seriously a consultation that presents none of this sort of analysis and evidence, whether from New Zealand (see above) or from similar other jurisdictions (notably, examples from Australia)? There is no way a document this thin would meet any sort of central government regulatory impact type of assessment standards. It shouldn't be acceptable either from a large and well-resourced TLA.

Those who have championed a move to land value rating seem to have in mind the literature around land taxes, and the sense that they are efficient revenue-raising device (at least in the abstract) because the supply of land is fixed. Barring reclamations (mostly a marginal consideration), taxing land does not alter the supply of land (unlike taxing labour, profits, or buildings).

There is a reasonable theoretical argument along those lines[2]. But it is worth noting that few, if any, countries have a land tax that aligns with the theoretical model (a common rate on all types of land). New Zealand had a land tax for decades, but it withered on the vine (coverage shrank) and was eventually abolished 30 or so years ago.

But the consultation document advances different arguments, claiming that land-value rating "may encourage land to be developed and used more efficiently". They go on to cite advocates who argue that "land value rating can discourage land banking [a term not defined] and under-utilisation [also not defined] of valuable urban land, helping to support housing development and more efficient urban growth".

Those arguments mostly seem to come from people who believe that they know best what form the development of a city or region should take, and who have quite strong priors as to what sort of housing development should occur (typically at least somewhat antagonistic to greenfields development). But these arguments rarely seem to engage with dealing directly with other direct regulatory restrictions (often imposed by councils themselves) on development than can reward what is sometimes called "land banking". Open up all land in the TLA to residential development (with infrastructure costs internalised) and there is little credible likelihood of persistent "land banking" (rather, landowners will want to develop early, because holding costs of undeveloped land that isn't scarce quickly mount).

It is no part of a local authority's role to be using rating policy to try to impose particular visions on how and where people should live and work, how and where land should be developed. The primary guiding principles should be (a) use of council services, and b) within limits, ability to pay. Vacant land (whether an empty section in Adelaide Road or my back garden) uses no material amount of council services, and ability to pay is almost certainly better reflected in capital values too (either direct income-earning assets or imputed rental costs property owners choose to bear). The Council presents not the slightest evidence, for example, that a single storey building in central Wellington puts the same demand on council services as a ten-storey building. As noted earlier, any pressure on services from commuters from other TLAs is better captured in the capital value of the offices/shops they work in than in the bare-land value.

Similarly, intensification of residential dwellings on a site will increase the demand for council services, and involve a greater ability to pay (take for example, one section near me where a single house on a standard section has been replaced with seven townhouses). As the consultation document notes, the Shand report itself noted that capital value rating had become more favoured as "a way of better reflecting the costs of providing services".

Even theoretical arguments for land value rating break down unless the Council is willing to apply a common rate across all land (urban, rural, vacant land, developed land, commercial-zoned land, residential land, parks and reserves land, community clubs' land, and so on). There is not the slightest sign in the consultation document of any attempt to engage with this issue, and without doing so there could be no reasonable basis for assuming that a half-baked proposal would represent an improvement in either economic efficiency or fairness.

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[2] There is also a theoretical argument for lump sum personal taxes, but they – rightly – remain a theoretical curiosity. More practically, there are strong theoretical arguments for taxing business less heavily than either wages or household consumption and yet the WCC consultation document continues to place a much heavier burden on business uses of property than household ones (on the scenario in the consultation document, almost six times as much).

And, to repeat my point, it is extraordinary that you are consulting on such a far-reaching change, with large adverse distributional impact for some (including some businesses, at a time when the Wellington economy has been struggling) without any serious economic analysis or evidence from land-value regimes, and transitions to/from them in other places. It is poor quality policy work, and should go no further without a much more developed and robust case.

Perhaps wisely, the consultation document does not mention another argument advocates sometimes make, that a move to land value rating might encourage older people to move out of their family homes earlier (especially where there were development opportunities for the land beneath the house). There are many private reasons why an older person or couple might rationally choose to downsize, shift to a retirement village, or whatever. But there is simply no public policy interest in seeking to affect or accelerate that process, or take make it harder for older people to remain in communities in which they may have spent much of their lives, with developed connections to community services, friends, GPs etc. From the council's perspective, what should matter is pressure on council services and some allowance for ability to pay (noting that, across households, the existing system is already highly progressive in wealth and lifetime income given that housing is a normal good, and those with higher incomes/wealth tend to consume more of it).

The possible merits of a land-value rating system cannot be completely discounted, at least in the abstract. But residents and ratepayers should be more interested in considering such a proposal a) when the amalgamation situation is clear, b) when the proposal is backed with a lot more evidence and analysis than the derisory amount presented in the current consultation document, and c), since the claimed merit for a land-value based approach is economic efficiency, when and if the Council ever takes a system-wide approach to economic efficiency (for example, removing restrictions to development including on greenfields sites, and proposing a common general rate across all types of land). Until then, councillors should set to one side the arguments for land-value rating. At present what is proposed is likely to be substantially disruptive, not particularly efficient, and all with little or no evidence as to what benefits could be expected, if indeed a land-value model in Wellington was to survive the nationwide trend and actually endure.

In the meantime, focus on sharply reducing the extremely burdensome commercial rates differential, and perhaps consider a lump-sum fixed charge for each household as a significant part of the residential rate, which would better reflect demand for and use of council services.