Submission on the concept of Value capture p51 – Local Government Future Funding & Finance

I wish to express my concern around the Productivity Commission's seeming promotion of the concept of value capture as a means of generating additional revenue for local council's. I would make the following points in relation to this issue

1) It is extremely difficult to directly attribute property values with any accuracy to Council infrastructure investment with any certainty. For example, if a home owner renovates or extends their house and the value increases then how are you intending to differentiate the improvement in value through the home owner's own investment versus the Council. How will the Council differentiate increases in value through market fluctuations versus its own investments?
2) At what point does the value capture actually occur? Most projects will be signalled well in advanced and any perceived increase in property values will be priced in well before a single sod of earth is turned.
3) During infrastructure construction the quality of life, including noise, street blockages, traffic congestion etc places serious strains on the neighbourhood and local environment (see the issues around house cracking etc that home owners are experiencing due to the Southern motorway expansion), where is the recognition from Council for the cost that home owners go through during this phase? No compensation for public works as they are in the public good but the Council can target individual houses to pay for them?
4) Post construction there are significant drawbacks for locals due to these infrastructure projects. I quote Christine Fletcher – Auckland City Councillor here https://www.nzherald.co.nz/aucklander/news/article.cfm?c_id=1503378&objectid=11099820 where she states suburbs like Mt Eden (where I live) have become effectively a parking lot for commuters who drive to within the $1.90 fare stage and park all along suburban streets. So does the Council foresee compensation to home owners for the loss of street parking and reduction in quality of life also as a result of their 'investments' or are they simply seeing this as usual as a 'one way street' That is, is there to be a 'Loss Capture' also?
5) Rates and charges related to housing values take no account of the home owner's ability to pay. Auckland is already a city that is extremely unfriendly to aged home owners who are asset rich but cash poor. The current rates charges are effectively saying to the aged community 'we don't want you in Auckland city, sell up, move out and downsize somewhere else' Value Capture – effectively a rate increase, will further exacerbate this issue.
6) How much input will residents get on whether they actually want these 'infrastructure investments'? Irrespective of whether we, as rate payers oppose these projects or not, we are expected to fork out money to fund them. A classic example is the ill-judged, headlong drive toward light rail. Light rail down Dominion Road will be a disaster. The road is not wide enough, the stops are too far apart, the character of the area will be destroyed and the real benefit – according to Phil Twyford who seems to be unable to listen to reason around direct train access to the airport justifies this by saying it will serve the Mangere area. So having been defeated around the argument that the project is to serve the airport, proponents are now trying to justify it as serving 'growing suburbs'. No one seriously believes the Council will impose Value Capture rates on areas like Mangere, instead they will be focused on the residence around Mt Eden who will be perceived to be in a better position to pay. Just as Len Brown orchestrated a campaign to lower the UAGC and increase the portion of rates paid on the value of the home. This had the effect of substantially lowering the rates of

home owners in South Auckland (his voter base) and massively increasing the rates of home owners in the central isthmus. No one believes that Value Capture is anything but another example of Councils wringing more money out of those who are perceived to be more able to pay.

7) Rates are designed to be a payment for services. If they were seriously targeted against this charging regime then they should be collected as a poll tax, not a rating charge against the value of the house. If you propose that the value of a house increases due to infrastructure investment, then equally I would counter propose that those who use the investment should pay more for it. Living in Mt Eden and working in the central city I do not use the roads that say a commuter in Hillsborough would, but I am expected to pay the same for them. Petrol tax is collected by the NZTA for the use on the state highway network and whilst the NZTA provides some revenue to the Council most local roads are funded through rates. So why does the Productivity Commission see that it is ok to assign value to individual houses and target them for Value Capture but not target 'Value Usage' against those who also benefit most from this infrastructure investment. Again, the only conclusion you can draw is that this is simply a tax grab on those deemed to have 'wealthy' homes and who can therefore supposedly afford to pay.

So, in summation my view is that this is simply a Trojan horse for a rate increase on higher value houses. Value Capture has little to do with who benefits from infrastructure investment directly (i.e. those who actually use the infrastructure) and is difficult to calculate particularly around defining when the value capture actually occurred.

There is no discussion around the reduce quality of life and hence compensation, home owners may suffer as a result of infrastructure projects and equally little direct connection between the tax (because that is what it is) and the home owner's ability to pay.

Finally, the Productivity Commission seems to believe that because it is used overseas this somehow should justify it's use here much like a capital gains tax, which has never actually achieved any of its supposed objectives – controlling the housing market, improving equality, shifting investment decisions etc just look at Australia. All it achieved was to line accountant's pockets when taxpayers need to work out their annual returns. Much like capital gains this is just another tax grab except is aimed at rate payers using the euphemism 'Value Capture' read 'Ratepayer screw over'.

Regards

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