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ORDINARY MEETING  
OF  
WELLINGTON CITY COUNCIL  
SUPPLEMENTARY AGENDA

Time: 9:30am  
Date: Thursday, 24 February 2022  
Venue: Virtual meeting

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<b>Business</b>	<b>Page No.</b>
<b>2. General Business</b>	<b>3</b>
<b>2.8 2022 Pandemic Response Plan</b>	<b>3</b>

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1. General Business

## 2022 PANDEMIC RESPONSE PLAN

### Kōrero taunaki

#### Summary of considerations

##### Purpose

1. This report to Te Kaunihera o Pōneke | Council seeks approval to the 2022 Pandemic Response Plan. The Plan includes a range of initiatives to support key business sectors in the CBD in response to the ongoing pandemic.

##### Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- |                                                                                        |                                                                                                |
|----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| <b>Strategic alignment with priority objective areas from Long-term Plan 2021–2031</b> | <input type="checkbox"/> Sustainable, natural eco city                                         |
|                                                                                        | <input checked="" type="checkbox"/> People friendly, compact, safe and accessible capital city |
|                                                                                        | <input checked="" type="checkbox"/> Innovative, inclusive and creative city                    |
|                                                                                        | <input checked="" type="checkbox"/> Dynamic and sustainable economy                            |
|                                                                                        | <input type="checkbox"/> Functioning, resilient and reliable three waters infrastructure       |
|                                                                                        | <input type="checkbox"/> Affordable, resilient and safe place to live                          |
|                                                                                        | <input type="checkbox"/> Safe, resilient and reliable core transport infrastructure network    |
|                                                                                        | <input type="checkbox"/> Fit-for-purpose community, creative and cultural spaces               |
|                                                                                        | <input type="checkbox"/> Accelerating zero-carbon and waste-free transition                    |
|                                                                                        | <input type="checkbox"/> Strong partnerships with mana whenua                                  |

##### Relevant Previous decisions

In 2020 Council approved a Pandemic Response Plan to support local businesses and the community.

##### Significance

The decision is **rated medium significance** in accordance with schedule 1 of the Council's Significance and Engagement Policy.

##### Financial considerations

- |                              |                                                                              |                                                                                                              |
|------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Nil | <input type="checkbox"/> Budgetary provision in Annual Plan / Long-term Plan | <input checked="" type="checkbox"/> Unbudgeted<br>Total revenue loss:<br>\$2,198,765<br>Total cost: \$82,896 |
|------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|

2. This paper recommends a range of initiatives to support retail and hospitality businesses during this period of the pandemic. The initiatives primarily relate to the reduction of hospitality licensing fees for the remainder of the financial year, the deferral of rates payments without penalty for six months, the extension of parking time limits, and the reduction of parking fees during weekends. The financial impact for each initiative is covered in the body of the report.

##### Risk

|  Low      |  Medium      |  High      |  Extreme

3. Wellington's CBD and waterfront are special. It is the commercial heart of the region and combines business activity with a strong offering and reputation in hospitality and retail, as well as the arts, entertainment and cultural attractions.
4. A weakening of the hospitality and retail experience through the loss of businesses will negatively impact the vibrancy of the inner-city experience for Wellingtonians and visitors to the city.

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Authoriser	Stephen McArthur, Chief Strategy & Governance Officer Sara Hay, Chief Financial Officer

## **Taunakitanga**

### **Officers' Recommendations**

Officers recommend the following motion

That Te Kaunihera o Pōneke | Council:

- 1) Receive the information.
- 2) Note that this Pandemic Response Plan is primarily focused on providing support to the retail and hospitality sectors as they are most impacted by current events and the red light setting.
- 3) Note that an extension or update to the Pandemic Response Plan can be considered in June as part of the Annual Plan deliberations if required.
- 4) Note that due to timeframes available to complete this Pandemic Response Plan, specific criteria for some initiatives still need to be finalised.
- 5) Agree to delegate the finalisation of any criteria to the Chief Executive and the Mayor.
- 6) Approve the proposed initiatives as outlined in section 16 of this report (the 2022 Pandemic Response Plan) and the consequential financial impacts.

## **Whakarāpopoto**

### **Executive Summary**

5. Under the current traffic light setting (red) for Covid-19, together with the anti-vaccine mandate protest impacting a key commercial part of the city for a sustained period of time, many Wellingtonians have chosen to work from home. This is having a material impact on businesses in the CBD and waterfront that rely on footfall and visitors – particularly retail and hospitality.
6. This report outlines the proposed Pandemic Response Plan for 2022. It includes a series of actions that are recommended by Council officers to support the hospitality and retail sectors that are facing financial hardship. Many of the actions included in the draft Pandemic Response Plan can be initiated within a short timeframe and will support those facing financial difficulties in the last quarter of 2021/22 and beyond (note: Council financial year ends in June).
7. The Council only has a limited number of levers available to provide support to the sector. Council's Pandemic Response Plan will work in support with Government's recently announced support package which includes: a Covid Support Payment of \$4000 plus \$400 per full-time employee; the extension of Small Business Cashflow Loans Scheme (access an extra \$10,000); and flexibility on tax repayment timings.

## **Takenga mai**

### **Background**

8. Significant Government support for businesses with things like the wage subsidy scheme made a difference and helped provide an environment, whilst very difficult, where many businesses were able to make it through the pandemic to this point.
9. The Council also played a part through its Pandemic Response and Recovery Plan in 2020 to support Wellington businesses and communities.

10. With the move to the red light setting, an anti-vaccine mandate protest impacting a key commercial part of the city, many Wellingtonians have voted with their feet and decided to work from home.
11. This has resulted in a reduced number of people in the CBD and that has placed many hospitality and retail businesses in a very difficult financial position.
12. Wellington is not unique in this, many businesses in cities and towns around New Zealand are experiencing hardship under the current settings. However, Wellington has a higher percentage of its workforce employed in government or professional services. Many of these workers can easily, and in many cases are mandated by their employers – to work from home and so the impact is exacerbated.
13. The pandemic red and orange settings, and closed borders, have also impacted the financial position of some of Council's Council Controlled Organisations (CCOs). This will be addressed at the next Finance and Performance Committee meeting.

### **Feedback from the sector**

14. Hospitality New Zealand released findings from a survey of their member on 14 February. It shows a sector under considerable pressure. Key findings from the survey which was completed by 745 members from across New Zealand include:
  - 50% of respondents have identified a decline in revenue over 40%
  - 44% of respondents will need to seek additional funding to keep going
  - 71% of respondents to reduce staff or staff hours to manage down costs
  - 41% of respondents will not be able to pay their upcoming GST
  - 36% will not be able to pay their 20<sup>th</sup> of the month invoice this month
15. While the Hospitality New Zealand survey was nation-wide, the Wellington sector has provided similar feedback to the Council in recent weeks. They have asked for both Council and government support.

### **Data on the Wellington situation**

16. The Council tracks various data sources to understand the health of the CBD and the economy. Many economic indicators are healthy. Employment is up and stable, building consents across the region are at historic highs (with the region dominant), and export prices are strong, but sectors like hospitality and retail – particularly those in the CBD – are really struggling with more Wellingtonians working from home and very little tourism.
17. The latest data from Marketview (to week starting 7 Feb 2022) shows consumer spend on hospitality in the CBD is down 35% on a Year on Year (YoY) basis. Consumer spend on retail in the CBD is also down 33% on a Year on Year (YoY) basis.

*Retail and Hospitality spend YoY (Marketview)*



18. The latest Marketview data also shows that there has been a material drop in discretionary spending in the early part of 2022 in the CBD. The average discretionary CBD spend in January 2022 (all spending apart from grocery and fuel) fell to 90% of 2021 levels. This fell further to 60% in the first week of February 2022 (compared to 2021 levels).
19. Working from home is having a material impact on the CBD, and while normally this has a positive impact in terms of suburban spending, in recent months this is also tracking downward.

*Discretionary spend (Marketview)*



20. Wellington has had various lockdowns (and levels of lockdown) over the last few years which has placed financial stress on many businesses in the city. Working from home is also now firmly embedded in Wellington's working culture with circa 10-20% choosing to work from home on a regular basis.
21. Most recent data shows that more people are working from home than from the office, with Google Mobility data showing 77% reduction in people working from their workplace compared with the baseline. Weekday Bus loadings are at 60% of 2019 (compared to 90% normally).

*Weekday bus loadings*



22. This reduction in footfall and patronage over the last two years has meant that many CBD businesses haven't been able to build up reserves for the situation they find themselves in now.
23. Central Government support has enabled the majority of businesses to make it through the pandemic to this point. While Council has a limited range of levers that it can pull to support businesses, it is recommended that Council provides a range of support mechanisms (outlined below) to support the hospitality and retail sectors, and actively advocates to central government to continue to provide support in the weeks and months ahead.

**Kōrerorero**

**Discussion**

24. Wellington's CBD is special. It is the commercial heart of the region and combines that with a strong offering and reputation around hospitality and retail, as well as the arts and cultural attractions.
25. It is proposed that the 2022 Pandemic Response Plan initiatives are targeted towards hospitality and retail with a strong focus on a limited number of practical initiatives that can make a real difference. The majority of these initiatives can come into effect immediately (i.e. hospitality license fees), while some of parking initiatives will take several weeks to implement.

**The proposed initiatives**

26. The proposed initiatives include:

Action area	Timing	Notes / criteria	Revenue implication
<b>LICENCING</b>			
<b>Outdoor dining</b>			
Free outdoor dining permits	12-month period from 1 March - 29 February 2023	We are enabling businesses to use on-street parking spaces for commercial purposes such as outdoor dining areas.	\$540,000



		<p>Parklet permissions can be issued to businesses where suitable. Suitability takes into account pedestrian / accessibility / spacing / traffic safety</p> <p>Officers have developed a fast-tracked process to enable these to be speedily issued and to assist businesses throughout the application process.</p> <p>Revenue impact is based on 50 parklets. However, looking at Thorndon Quay there the carparking revenue is similar before parking changes were made, indicating there is likely to be a transference of carpark usage, which would minimise any financial impact</p>	
Refund all fees in respect to pavement licences for the current year	Current licence holders	Refund all fees in respect to current pavement licences, to create equity between those businesses who have taken up the option of free outdoor dining and those who have already paid.	\$52,896
Smokefree discount	6-month deferral	Council had signalled that mandatory smokefree outdoor licensing and revoking the smokefree discount would occur from July 1. It is recognised that now is not a good time to introduce these changes. Council will review this again in December 2022.	\$30,000
<b>Alcohol and food</b>			
\$1 alcohol licence variation application for outdoor dining	1 March 2022 – 29 February 2023	For businesses taking up the offer of free outdoor dining – either on the pavement or on a parklet – we can process the application for variation of the operator’s alcohol licence for \$1 + the ARLA levy	\$75,000

		Revenue: Assuming 50 parklets at an average alcohol licence cost of \$1,500	
\$1 annual alcohol fee for holders of on premise licenses and club licenses	1 March 2022 – 29 February 2023	Reduce annual alcohol license fee to \$1. Businesses will still need to pay ARLA levy.  This figure will span across 2 financial years as some annual fees fall due after 1 <sup>st</sup> July 2022	\$508,265
\$1 food registrations and \$1 site visits (verifications)	1 March 2022 – 29 February 2023	Reduce food registration and site visit (verification) fees to \$1 to support the hospitality sector in Wellington. This figure will also span across 2 financial years for the same reason as above.	\$810,000
Will not apply CPI increase to Food Act registration and Verification fees which are due on 1 <sup>st</sup> July 2022	For 12 months commencing 1 <sup>st</sup> July 2022	Remove the CPI increase from the 2022/23 proposed budget	\$20,500
No charge for reissuing of a special license for an event.		If an event has been cancelled due to the pandemic and is covered by a special licence, we will not charge to reissue that licence, even if the rescheduled event is more than a year hence.	\$0
<b>PARKING</b>			
\$1 per hour weekend parking	21 March 2022 – 26 June 2022	The financial impact is based on current occupancy rates, which are currently averaging around 42% in the weekends. As a comparator – average occupancy this time last year was around 50%.	\$150,000 - \$160,000
Pause on 8pm – 10pm	This will be considered as a separate agenda item at this meeting.		

parking fees			
3 hour weekend and weeknight parking	12 March – onwards	<p>Monday - Friday after 5pm and 8am - 8pm Sat and Sun. This supports more flexibility around dining, entertainment and the shopping.</p> <p>This aligns with an existing Council resolution that would see this initiative come into effect from 1 July – so effectively we would just be bringing implementation forward.</p> <p>This would apply city wide as it is difficult to zone off areas of the city and will make for quicker implementation.</p> <p>Negligible financial impact as still paying for parking</p>	\$0
<b>RATES / RENT</b>			
Q4 rates deferrals for hospitality and retail businesses who own their own buildings	April – June 2022	Hospitality and retail ratepayers in the CBD will be able to elect to defer their fourth quarter rates without penalty initially for 6 months. Interest will be charged on any amounts deferred to provide a disincentive to those businesses that can afford to pay their rates.	See clauses 23 and 24 of this paper
Rent relief	March – May 2022	We hold a number of commercial leases with hospitality and retail businesses in the CBD, waterfront and in some venues eg. WRAC and ASB) and will work on a case-by-case basis with impacted businesses to provide a range of support from partial rent relief, payment deferrals and payment plans depending on need.	\$120,000
<b>PAYMENT</b>			
Business cash flow	Ongoing	To support business cashflows Council will continue to reduce the	\$0

		payment timeframes for payments to suppliers who provide goods and services to Council from 20 to 7 days. There will be some additional funding costs to Council but these are not expected to be material	
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### Criteria for initiatives

27. In terms of criteria for the various initiatives, it is important to strike the right balance between finding ways to target towards those in need quickly, with the additional administrative workload that any assessment process will create for staff.<sup>1</sup>
28. Where appropriate, Council will seek to align Council criteria with that of Government (to be eligible for Government support, businesses must show a 40 percent drop in revenue over seven consecutive days during the six weeks prior to 15 February, when the government shifted to phase two).
29. There may be additional criteria for some Council initiatives. For example, access the rates deferral initiative in 2020 included the requirement that the benefits of rates relief must flow through to tenants and Commercial ratepayers with central government tenants will not meet the criteria etc. This is likely to be carried into 2022.
30. Due to time constraints in preparing this report, officers are still finalising the criteria for the initiatives and recommend that this be delegated to Chief Executive and the Mayor to finalise.

### Financial consideration

31. The most material financial impact of the recommended initiatives is the reduction of revenue this financial year and next. Although the current year revenue impact only represents 0.2% of total revenue, there is a compounding effect on Council's debt and ability to borrow. Reducing revenue in the current year will require debt to be raised at year end to balance the budget which reduces the headroom available to raise new debt, in addition the amount Council can borrow is constrained by its total revenue.
32. Next year's impacts will need to be included in the annual plan, so rather than having an impact on debt, the lost revenue will impact the total rates requirement. The FY 2022/23 impact represents an approximately 0.24% rates increase.

	Current FY (2021/22)	FY 2022/23	Total
Revenue Loss	\$1,269,422	\$929,343	<b>\$2,198,765</b>
Cost	\$82,896	\$158,000*	<b>\$82,896</b>
<b>Total</b>	<b>\$1,352,318</b>	<b>\$929,343</b>	<b>\$2,281,661</b>
<i>Unbudgeted impact</i>	\$25,000	\$50,000	

<sup>1</sup> Note, we have included an additional \$50k in the budget to administer the changes outlined in this Pandemic Response Plan

*\*includes debt servicing from previous year.*

33. The other financial consideration relates to the impact of rates deferral. The number and value of 2020's deferrals under the previous pandemic response can be used to predict the level of uptake. However, cautious analysis has been undertaken as both the economic context and our criteria have changed. There have been two years of material rates increases since then, and the wage subsidy is no longer available. This could mean more rate payers opt to defer the 4<sup>th</sup> quarter instalment.
34. Although Council will still recognise the revenue in the current year, our cashflow and liquidity will be impacted as will the year end net-debt position. A 2% uptake by CBD commercial ratepayers would cause a 1.5% swing in the debt to revenue ratio to 226.5%. Conservative analysis of a 10% uptake would have a 3% impact on debt to revenue taking the ratio to 228%. This analysis considers both the lost revenue of the initiatives above, and the debt required to raise liquidity due to deferred rates.

## **Kōwhiringa**

### **Options**

35. Council can:
  - a) Approve the Pandemic Response Plan
  - b) Adopt an amended Pandemic Response Plan; or
  - c) Do not adopt a Pandemic Response Plan, and instead rely on a central government response to support the sectors.

## **Whai whakaaro ki ngā whakataunga**

### **Considerations for decision-making**

36. The range of initiatives included in this Pandemic Response Plan are based on those used in 2020 to support hospitality and retail businesses. The initiatives are practical and were well received in 2020.
37. A formal evaluation on the success/impact of the 2020 initiatives has not been completed in the timeframe available, but from conversations with the sector in recent days, the feedback is that the initiatives outlined in this Pandemic Response Plan will be welcomed.
38. The Council only has a limited number of levers available to provide support to the sector. It is recommended that Council continue to strongly advocate to central government for the sector to continue support from central government in the weeks and months ahead.

### **Alignment with Council's strategies and policies**

39. This initiative aligns with Council's economic wellbeing outcome: "*a dynamic and sustainable economy* – the city is attracting and developing creative talent to enterprises across the city, creating jobs through innovation and growth while working towards an environmentally sustainable future."

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40. The Pandemic Response Plan also strongly aligns with the draft Economic Wellbeing Strategy which is a separate item on the agenda of this Council meeting.

### **Engagement and Consultation**

41. As part of the co-creation of the Economic Wellbeing Strategy, Council engaged widely with many different businesses sectors to understand the current challenges. This Pandemic Response Plan (in addition to the Economic Wellbeing Strategy) responds to many of the issues raised by businesses sectors.
42. As the actions in the Pandemic Response Plan are urgently required by the business sector, no formal consultation will take place. However, as the Economic Wellbeing Strategy will go out for consultation in March and April there will be considerable Council engagement with the businesses sector and this will provide an avenue for the sector to provide further feedback informally on the Pandemic Response Plan. Council can amend the Pandemic Response Plan in June as part of finalising the 2022/23 annual plan process if this is required.

### **Implications for Māori**

43. There are no known implications for iwi.

### **Financial implications**

44. Financial implications of this Pandemic Response Plan are covered in the body of the report.

### **Legal considerations**

45. There are no legal implications.

### **Risks and mitigations**

46. Wellington's CBD and waterfront are special. It is the commercial heart of the region and combines that with a strong offering and reputation in hospitality and retail, as well as the arts and cultural attractions.
47. A weakening of the hospitality and retail experience through the loss of businesses will negatively impact the vibrancy of the CBD experience for Wellingtonians and visitors to the city.

### **Disability and accessibility impact**

48. There are no disability or accessibility impacts.

### **Climate Change impact and considerations**

49. A reduction in weekend parking fees will encourage people to travel to the CBD with their private vehicles. As parking occupancy is down in the CBD, there is no additional carbon impact over and above normal settings.

### **Communications Plan**

50. This Pandemic Response Plan will be communicated using Council's communication channels.

### **Health and Safety Impact considered**

51. There are no health and safety implications.

**Ngā mahinga e whai ake nei**

**Next actions**

52. The next steps are to finalise criteria for some of the initiatives and pro-actively communicate the initiatives to Wellington's businesses.

**Attachments**

Nil