

## 7.15 Paremoremo Public Transport Targeted Rate proposal

A key objective of the Upper Harbour Local Board Plan 2020 is an affordable, frequent and reliable public transport network that encourages higher use uptake. Consultation on the Upper Harbour Local Board Plan 2020 sought feedback on providing additional public transport services in non-serviced areas funded by targeted rates. Fifty-five per cent of respondents supported the Upper Harbour Local Board investigating this further.

### What we are proposing

We are proposing to introduce a bus service between Paremoremo and Albany. Paremoremo residents don't currently have any public transport choices. The service will operate at peak hours on weekdays providing three round trips in the morning and four in the afternoon. We are considering two options to fund this service:

- Option 1: A targeted rate of \$238 per Separately Used or Inhabited Part (SUIP) of a property for properties located within 500m walking distance of a proposed bus stop<sup>1</sup>. The narrow service area assumes the distance someone would walk to catch a bus service in an urban area.
- Option 2 : A targeted rate of \$153 per Separately Used or Inhabited Part of a property for properties located in the wider Paremoremo and Lucas Heights area of the Upper Harbour Local Board. The wider service area assumes that, in rural areas, residents will travel much longer distances to catch a bus service.

As well as covering the costs of providing the service, the targeted rate includes repayment of the capital costs over 10 years as well as the interest that we incur until the borrowings are repaid. If the level of the capital expenditure changes then this will affect the level of the targeted rate, however this is not expected to be material.

### Background

#### Upper Harbour 2020 Local Board Plan

A key objective of the Upper Harbour Local Board Plan 2020 is an affordable, frequent and reliable public transport network that encourages higher use uptake. Consultation on the 2020 Local Board Plan asked residents about targeted rates to fund additional public transport in areas where none was present. Fifty-five per cent of respondents supported further investigation and twenty-two per cent did not.

Key themes in support were:

- a desire for improvements to the public transport network within the local board area
- acknowledgment of the reductions of carbon emissions if less people drove cars and more people had access to public transport options
- a number of specific requests for public transport services within individual areas with a large number requesting a bus service from Paremoremo in particular.

Key themes from submissions opposed were:

- submitters felt that public transport services should be provided by Auckland Transport and should be a user pays service, not an additional cost to ratepayers
- concerns regarding the additional cost to ratepayers
- non-public transport users that would not benefit from the service did not support the proposal.

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<sup>1</sup> See Attachment B: Option 1 - Paremoremo bus service area for proposed bus stop locations

Paremoremo is an area that meets the key criteria of the local board plan where no public transport services are currently provided.

## Passenger transport costs

Operating costs for a peak-only bus service (3 round trips am, 4 round trips pm, weekdays only) in the Paremoremo area are estimated to cost around \$160,000 per annum. Providing a bus service in this area will also require an estimated capital investment of \$60,000 for bus stops.

A peak-only service has been identified as providing a balance between service levels and the impact on ratepayers in the service area. Service levels can be increased in the future should there be sufficient demand to extend the offering.

Fare levels for the public transport network are set on a regional basis and at a level to optimise public transport outcomes while maximising revenue. If fares are set too high, then this may discourage the use of public transport services. The new service is not expected to attract significant patronage and revenue from fares is not expected to be material. Targeted rates revenue is therefore expected to be required to make up most of the cost of running the service.

Consideration was also given to providing peak-only bus and on-demand rideshare services in both the Paremoremo and Albany Heights areas. On-demand rideshare services were discarded as the service does not provide enough capacity to meet potential high demand. The service would be provided by a single van which may at times result in long wait times for users.

Options for providing bus services in the Albany Heights are being further investigated and may be proposed for future implementation. Providing a bus service to Albany Heights is more expensive than Paremoremo alone as it requires an additional bus to maintain service levels. Better outcomes are achieved by running separate services to each area as the services are more direct.

## Benefits of service options

The bus service has been designed to provide public transport services to the Paremoremo area only. This service will provide feeder services to the wider public transport network. Benefits to the wider Auckland area are expected to be very low or non-existent.

Users of the services will directly benefit from using these services. Users will partially fund the service through fares.

Landowners will be the other primary beneficiaries through the availability of the service. The service will provide alternative transport options to Albany and from there, to the rest of the city via the wider public transport network. They will also benefit from a marginal localised decongestion effect, although this benefit is unlikely to be noticeable.

The benefits from bus services to landowners is generally limited by proximity to bus stops. The service area for Option 1 is based on properties within 500m walking distance of a proposed bus stop. Access to public transport in the Regional Public Transport Plan (RPTP) is measured on being within 500 metres walking distance of a public transport stop with a service. Under this option properties are within 500 meters walking distance.

The Upper Harbour Local Board consider the wider Paremoremo and Lucas Heights area of benefit (Option 2) is more appropriate based on their local knowledge and previous engagement with the community. The board considers that, in this area, residents will travel much longer distances to catch a bus service. Under this option some properties are located more than 3km walking/driving distance from a proposed bus stop. While we currently do not have evidence to support catchments greater than 500 meters walking distance, we will be seeking to undertake further research into bus catchments for rural areas. This additional information alongside the public feedback will support decision making on the proposal in May 2021.

Service areas for Options 1 and 2 are set in Attachment B: Option 1 - Paremoremo bus service area and Attachment C: Option 2 - Paremoremo bus service area.

## Paremoremo ratepayers

A high-level analysis of the ratepayers in each of the service areas are set out in the following tables.

### Option 1: Paremoremo bus service area (500m walking distance)

		Residential	Business	Farm/lifestyle
<b>Properties</b>	Total	498	14	139
	<i>Proportion</i>	76%	2%	21%
<b>Separately used or inhabited parts (SUIPs)</b>	Total	627	14	173
	<i>Proportion</i>	77%	2%	21%
<b>Capital value</b>	Total	\$490.9m	\$252.3m	\$244m
	<i>Proportion</i>	50%	26%	25%

Land in this service area is primarily a mixture of residential and farm/lifestyle properties with very few businesses. This reflects that the service area is more directed at the rural residential area of Paremoremo. A targeted rate set on a per Separately Used or Inhabited Part (SUIP) basis would result in 77 per cent of the revenue coming from residential land, 2 per cent from business land and 21 per cent from farm/lifestyle land.

### Option 2: Paremoremo bus service area (wider service area)

Category		Residential	Business	Farm/lifestyle
<b>Properties</b>	Count	697	14	335
	Proportion	67%	1%	32%
<b>Separately used or inhabited parts (SUIPs)</b>	Count	847	14	408
	Proportion	67%	1%	32%
<b>Capital value</b>	Value	\$747.8m	\$249.2	\$591.6m
	Proportion	47%	16%	37%

Land in the wider service area is also a mixture of residential and farm/lifestyle properties with very few businesses. Including the wider Paremoremo and Lucas Heights areas results in proportionately more farm and lifestyle properties being within the service area. The targeted rate for Option 2 set on a per SUIP basis results in 67 per cent of the rates revenue requirement coming from residential land, 32 per cent from farm/lifestyle land, and only around 1 per cent from business land.

## Rates funding options

We are proposing that the targeted rate be set as a fixed rate per SUIP. The proposed new bus service will uniformly benefit landowners in the service area by providing improved personal transport choices and outcomes (public transport services and bus stops). Properties located closer to the bus stops will have greater accessibility due to the proximity of the bus stop.

Given the nature of the benefits:

- business owners and farms will benefit at a similar level to residential properties rather than in proportion to their scale of activity or capital value
- residential properties of differing capital value will benefit similarly.

As the direct transport benefit to all properties is relatively similar, a rate set as a fixed charge per SUIP of a rating unit is the most appropriate basis of distribution of benefits.

As there is a strong relationship between capital value and income, a rate applied on capital value would place more charge on those potentially better able to afford it. A rate applied on capital value would also increase the share paid by business and farm/lifestyle properties as they tend to have higher property values. Business and farm properties can claim back GST and expense rates for tax purposes.

## Rates impact

The table below sets out the level of the targeted rate required to fund the new service along with the average impact of the targeted rate on residential, business and farm/lifestyle properties in the service areas for each option. This will be in addition to the increase in general and other rates.

Option	Targeted rate per SUIP	Average rates impact (%)		
	\$ (GST incl)	Residential	Business	Farm/lifestyle
Option 1: Bus service in Paremoremo (500m benefit area)	\$238	11.1%	0.3%	8.1%
Option 2: Bus service in Paremoremo wider area	\$153	6.6%	0.2%	5.1%

Ratepayers with affordability issues can access the council's rates postponement scheme or apply for the rates rebate which the council administers on behalf of the Department of Internal Affairs. Business properties and farm/lifestyle properties can expense rates and claim back GST which means the net cost to them will be lower.

## Capital investment required

Around \$60,000 of additional capital investment is required for bus stops. The new bus service will be provided using temporary stops along the route. At around \$5,000 per stop, temporary bus stops are considerably less expensive than standard bus stops more commonly used in urban areas. Temporary bus stops are very basic and consist of a pole with signage concreted in place. The cost also includes a traffic management plan while the bus stop is built. The total capital cost includes provision of 10 temporary bus stops (five pairs) and a contingency of \$10,000. Site visits are still required to confirm suitable bus stop locations. If the costs of the capital expenditure change then this will affect the level of the targeted rate. This is not expected to be material.

Capital investments are funded from borrowing. The capital costs of bus stops have been included in the rates revenue requirement calculations. The costs include the repayment of initial capital investment over 10 years as well as the interest that the council will incur until the borrowings are repaid.

Capital investments also incur ongoing consequential operational costs such as maintenance and depreciation. We will be funding the ongoing consequential operating costs out of the general rate. These will not be recovered from the targeted rate.

The Upper Harbour Local Board may consider using the Local Board Transport Capital Fund for some, or all, of the capital investment. The budget for the Local Board Transport Capital Fund was reduced in the Emergency

Budget 2020/2021. If the budget is reinstated as part of the 10-year Budget 2021-31, then this will be an option that the local board may consider using. This would reduce the impact on ratepayers subject to the targeted rate by around \$7 under either option.

### **Waka Kotahi funding**

The proposed bus service in Paremoremo area is unlikely to qualify for a Waka Kotahi subsidy given its priority in the Regional Land Transport Plan (RLTP). A comprehensive business case is required to support applications for Waka Kotahi funding. Fifty-one per cent of a qualifying project may be funded by Waka Kotahi. If a Waka Kotahi subsidy becomes available, additional services may be funded in the area or rates reduced for affected ratepayers.

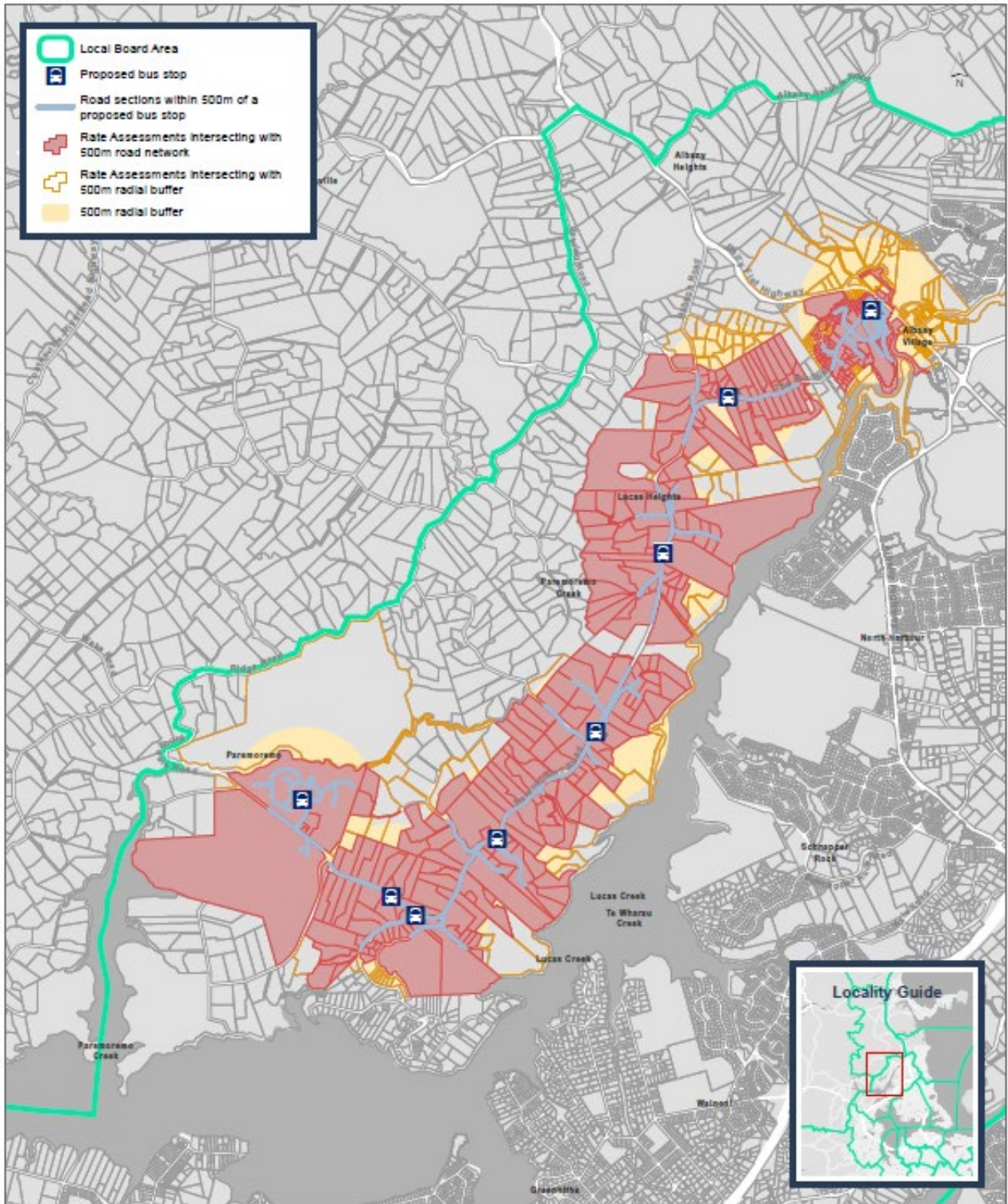
### **Future funding of the services**

Public transport services in the Paremoremo area are not a priority for funding in the RLTP. The forecast level of patronage does not meet the threshold for funding public transport in Auckland from general rates. Should the level of patronage meet this level, then we will consider funding these services from general rates. If this was to occur, then the targeted rate would cease.

## Attachment A: Options Table

	Rationale	Impact on rates	Impact on debt	Impact on level of service
<b>Option One: A targeted rate of \$238 per SUIP for properties located within 500m walking distance of a bus stop in Paremoremo.</b>	<i>The narrow service area assumes the distance someone would walk to catch a bus service in an urban area.</i>	<ul style="list-style-type: none"> <li>No material impact on rates at a regional level – \$170,000 per annum.</li> <li>Rates increase for affected ratepayers (0.3% for business, 8.1% for farm/lifestyle, and 11.1% for residential)</li> </ul>	<ul style="list-style-type: none"> <li>No material impact on the ability to borrow.</li> <li>Requires around \$60,000 of capital expenditure in 2021/2022 to be fully repaid by 2030/2031</li> </ul>	<ul style="list-style-type: none"> <li>New peak only bus services (3 round trips am, 4 round trips pm, weekdays only) in the Paremoremo area</li> </ul>
<b>Option Two (preferred): A targeted rate of \$153 per SUIP for properties located in the wider Paremoremo and Lucas Heights area of the Upper Harbour Local Board.</b>	<i>The wider service area assumes that, in rural areas, residents will travel much longer distances to catch a bus service.</i>	<ul style="list-style-type: none"> <li>No material impact on rates at a regional level – \$170,000 per annum.</li> <li>Rates increase for affected ratepayers (0.2% for business, 5.1% for farm/lifestyle, and 6.6% for residential)</li> </ul>	<ul style="list-style-type: none"> <li>No material impact on the ability to borrow.</li> <li>Requires around \$60,000 of capital expenditure in 2021/2022 to be fully repaid by 2030/2031</li> </ul>	<ul style="list-style-type: none"> <li>New peak only bus services (3 round trips am, 4 round trips pm, weekdays only) in the Paremoremo area</li> </ul>

### Attachment B: Option 1 - Paremoremo bus service area



### Attachment C: Option 2 - Paremoremo bus service area

