

# Rating Mechanisms

## SCOPE OF AMENDMENTS

We are proposing some changes to the Council's rating mechanism from 2009/10. These include:

### **General Rates Differential**

A shift in the general rates differential from 2008/09 where commercial property paid pay 3.8 times the General rate per dollar of capital value payable by those properties incorporated under the Base (Residential) differential. The proposed differential in 2009/10 is 3.4.

### **Targeted water rates**

As a result of increased costs of water network, collection and treatment activities we propose increases to fixed portions of this targeted rate as follows:

Fixed charge for base (residential) sector properties without a water meter from \$112.50 to \$125.00 (including GST).

Annual administration charge for properties with a water meter from \$84.00 to \$107.00 (including GST).

Water consumptions charge for properties with a water meter from \$1.58 per cubic metre to \$1.78 per cubic metre (including GST)

### **Targeted stormwater rates**

Stormwater rates are funded by the commercial and base (residential) sectors based on the relative capital value of each sector. For 2009/10 it is proposed to revise this basis from 80% residential and 20% commercial, to 77.25% residential and 22.5% commercial, to better reflect the distribution of the city's capital value.

### **Change to funding of Indoor Community Sports Centre**

In 2007 the Council resolved to fund 25% of the anticipated capital cost of the ICSC through a targeted rate (based on capital value) across all ratepayers, with the remaining capital cost funded through borrowing and repaid over the life of the asset through depreciation. From 2009 we are proposing that the full cost be funded through borrowings.

**Changes to indicative rates calculated based on a rate per dollar of capital value are incorporated in the draft Funding Impact Statement.**

## **RATES**

Rates are assessed under the Local Government (Rating) Act 2002 on all rateable rating units in the Rating Information Database. Where rates are

based on value, the capital value of the property as assessed annually by Quotable Value New Zealand Limited will apply. The latest revaluation was carried out as at 1 September 2007 and will be effective for the 2008/09 rating year.

#### Policy Objective

- To provide the Council with adequate income to carry out its mission and objectives.
- To support the Council's achievement of its strategic objectives.
- To be simply administered, easily understood, allow for consistent application and generate minimal compliance costs.
- To spread the incidence of rates as equitably as possible, by balancing the level of service provided by the Council with ability to pay and the incidence of costs in relation to benefits received.
- To be neutral in that it does not encourage people to redirect activity in order to avoid its impact.
- To reflect the decisions of the Council's policies and rating reviews.

#### **GENERAL RATES**

General rates are set under section 13 of the Local Government (Rating) Act 2002 on all rateable rating units in the City of Wellington.

The Council proposes to set a general rate based on the Capital Value of each rating unit within the city.

The general rate will be set on a differential basis, based on land use. All rating units (or part thereof) will be classified for the purposes of General rates within one of the following rating differentials:

#### **DIFFERENTIAL RATING CATEGORIES NON-RATEABLE**

Included any land referred to in Part 1, Schedule 1 of the Local Government (Rating Act 2002). This land is non-rateable with the exception of targeted rates for sewerage and water where rates are applicable.

#### **50 PERCENT NON-RATEABLE**

Includes all land referred to in Part 2, Schedule 1 of the Local Government (Rating) Act 2002. This land is 50 percent non-rateable in respect of the rates that would have applied had the property not been classified as non-rateable, with the exception of targeted rates for sewerage and water for which the land is fully rateable.

## **BASE DIFFERENTIAL**

This includes:

- a) Separately rateable land used solely for one or more household units; excluding those properties that are used principally to provide short stay (28 days or less) commercial accommodation for which a tariff is charged
- b) Vacant land zoned residential
- c) Rural land (including farmland and lifestyle blocks) under the District Plan that is administered by Council, but excluding any rating unit that is zoned rural industrial
- d) Separately rateable land occupied by a charitable organisation, which is deemed by the Council to be used exclusively or principally for sporting, recreation or community purposes and that does not generate any private pecuniary profit.

## **COMMERCIAL, INDUSTRIAL AND BUSINESS DIFFERENTIAL**

This includes:

- a) Separately rateable land used for a commercial or industrial purpose
- b) Vacant land zoned commercial, industrial or rural industrial under the District Plan administered by the Council
- c) Land used for offices, administrative and/or associated functions
- d) Land used for commercial accommodation for which a tariff is charged and where the principal purpose is the provision of short stay accommodation
- e) Business-related premises used principally for private pecuniary benefit
- f) Utility networks
- g) Any property not otherwise categorised within the Base differential.

## **ANNUAL UNIFORM GENERAL CHARGE**

The Council does not assess a Uniform Annual General Charge.

## **DIFFERENTIAL RATING CATEGORY CONDITIONS**

- The Council has resolved to achieve a target in 2011/12, which modifies the differential apportionment so that the commercial, industrial and business sector pay 2.8 times the General rate per dollar of capital value payable by those properties incorporated under the Base (Residential) differential. For 2009/10 it is proposed that the General rate differential ratio will be 3.45:1.

- The separated parts of a rating unit will be differentially rated where a part of the property is non-rateable or the property fits under one or more rating differential and either:
  - a) The total capital value of the rating unit is above \$800,000 or
  - b) Minority use(s) account for more than 30 percent of the total capital value of the rating unit.

In any other case, the General rate differential is determined by principal use.

- In regard to the rates attributable to a rating unit during the transition period between two differential rating categories, a ratepayer may apply for a change in rating category at any time between the lodgement of a consent application with the Council (on the condition that the principal prior use has ended) and the earlier of either:
  - a) The time at which the Council gives final approval of the completed works, or
  - b) The property is deemed (by the Council) to be available for its intended use.

In situations where the change in land use does not require a Council consent, but warrants a change in differential rating category, the onus is on the ratepayer to inform the Council prior to the property being utilised under the new use.

- The rating differential classification of all rating units must be set prior to the commencement of a rating year and will remain in place for that entire rating year. Any change in circumstances that results in a change of differential classification during a rating year will apply from 1 July of the following rating year.
- Any property eligible for mandatory 50 percent non-rateability under Part 2, Schedule 1, of the Rating Powers Act will be first classified under the appropriate General rate differential classifications and the non-rateability applied to that rate.

### **TARGETED RATES**

Targeted Rates are set under section 16 of the Local Government (Rating) Act 2002.

### **SEWERAGE RATE**

A targeted sewerage rate is to be apportioned 60 percent: 40 percent between properties incorporated under the Base differential and the Commercial, Industrial and Business differential in accordance with the Revenue and Financing Policy. This rate pays for the cost of the provision of the sewerage treatment facilities for the city.

For the purposes of these rates the sewerage collection and disposal service is treated as being provided if the rating unit is connected to a public

sewerage drain (either directly or indirectly), irrespective of whether the property is considered fully rateable or is mandatory non-rateable or 50 percent non-rateable under Schedule 1 of the Local Government (Rating) Act 2002.

The targeted Sewerage rate is calculated as follows:

*For rating units incorporated in the Commercial, Industrial and Business differential:*

A rate per dollar of capital value on all rating units connected to a public sewerage drain, to collect 40 percent of the required rates funding, after having deducted the total dollar amount budgeted to be collected through Trade Waste Charges (excluding consent fees).

*For rating units incorporated in the Base differential:*

A fixed amount of \$112.50 (incl. GST) and a rate per dollar of capital value on all rating units connect to a public sewerage drain, to collect 60 percent of the required rate funding.

## **WATER RATE**

A targeted rate for water is to be apportioned with the aim of achieving a 60 percent: 40 percent split between properties incorporated under the Base differential and the Commercial, Industrial and Business differential in accordance with the Revenue and Financing Policy.

This rate pays for water collection and treatment facilities, the water distribution network and water conservation for the city.

This rate is set on all rating units serviced by a water connection. For the purposed of these rates, the water service is treated as being provided if the rating unit is connected to the public water supply (either directly or indirectly), irrespective of whether the property is consider fully rateable or is mandatory non-rateable or 50 percent non-rateable under Schedule 1 of the Local Government (Rating) Act 2002.

The targeted Water rate is calculated as follows:

*For rating units incorporated in the Commercial, Industrial and Business differential, either:*

a) A fixed water meter charge of \$1.78 (incl. GST) per cubic meter of water used by all rating units connected to the public water supply with a water meter installed, plus an administrative charge of \$107.00 (incl. GST) per annum

Or

b) A rate per dollar of capital value on all rating units connected to the public water supply, without a water meter installed.

*For rating units rated incorporated in the Base differential, either:*

a) A fixed water meter charge of \$1.78 (incl. GST) per cubic meter of water used by all rating units connected to the public water supply with a water meter installed, plus an administrative charge of \$107.00 (incl. GST) per annum

Or

b) A fixed amount of \$125.00 (incl. GST) per rating unit and a rate per dollar of capital value on all rating units connected to the public water supply without a water meter installed, to collect the required Base differential contribution.

### **STORMWATER NETWORK RATE**

A targeted stormwater rate is to be apportioned 80 percent to the non-rural rating units incorporated under the Base differential and 20 percent to the Commercial, Industrial and Business differential in accordance with the Revenue and Financing Policy. This rate pays for the cost of the provision of the stormwater collection/disposal network for the city.

Properties classified as “rural” under the Council’s operative District Plan are excluded from the liability of this rate.

The targeted Stormwater network rate is calculated as follows:

*For non-rural rating units incorporated in the Commercial, Industrial and Business differential:*

A rate per dollar of capital value to collect 22.5% percent of the required rates funding.

*For non-rural rating units incorporated in the Base differential:*

A rate per dollar of capital value to collect 77.5% percent of the required rates funding.

### **COMMERCIAL, INDUSTRIAL AND BUSINESS SECTOR TARGETED RATE**

This rate pays for activities where the Council’s Revenue and Financing Policy identifies that the benefit can be attributed to the commercial, industrial and business sector and where the activity is not incorporated in other service related targeted rates. This incorporates the following:

- 100% of the cost of the events attraction and support activity

This rate is levied on all properties incorporated in the commercial, industrial and business sector and is calculated on a rate per dollar of rateable capital value.

### **BASE SECTOR TARGETED RATE**

This rate pays for activities where the Council's Revenue and Financing Policy identifies that the benefit can be attributed to properties incorporated under the Base differential rating category (incorporating residential ratepayers). This incorporates the following activities:

- 100% of the facilitation of community environmental initiatives, cultural grants, facilitation of recreation partnerships and community advocacy activities.
- 80% of the provision of community centres and halls activities.

This rate is levied on all properties incorporated under the Base differential rating category and is calculated on a rate per dollar of rateable capital value.

### **DOWNTOWN LEVY**

This rate pays for tourism promotion, facilitation of suburban and city centres vitality, the New Zealand International Arts Festival. It also pays for 70% of the visitor attractions activity and 25% of the provision of galleries and museums activity.

This rate is levied on all commercial, industrial and business properties in the downtown area and is calculated on a rate per dollar of rateable capital value. For the purpose of this rate, the downtown area refers to the area designated as the "Central Area" under the operative Wellington City District Plan.

### **TAWA DRIVEWAYS LEVY**

This rate pays for the maintenance of a specified group of residential access driveways in the suburb of Tawa, overseen by the Council. This rate is levied on a specific group of rating units in the former Tawa Borough at a fixed amount of \$100 (including GST).

### **MARSDEN VILLAGE LEVY**

This rate is collected by the Council on behalf of the Marsden Village Association on all commercial, industrial and business properties in the Marsden shopping village and is calculated on a rate per dollar of capital value.

### **RATES REMISSION AND POSTPONEMENT POLICIES**

Refer to the Council Remission and Postponement Policies.