

# Proposed changes to the Rating Policy

We'd like to hear your thoughts on proposed changes to the Rating Policy as part of pre-consultation for the Long Term Plan 2021-51.

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## Summary of the proposal

We're reviewing our Rating Policy as part of our three yearly review of our Long Term Plan 2021-51 (LTP).

As part of the 2018 LTP process Council consulted on the need to make changes to the rating differentials. The proposal related to a 3 year staged change 2018 through 2020 which was Council's preferred option. Following consultation it was decided to implement the staged changes over 6 years from 2018 to 2023.

As we approach the City's next LTP the environment the city faces has changed. The following proposal recognises the change in circumstances. The acceleration of 2018 LTP year 6 differential 2023 to year 1 of the 2021 LTP supports the idea to reach the policy objectives Council previously consulted on.

In reviewing our Rating Policy Council needs to consider every rate payer. There will be different groups and individual ratepayers that will see changes to their share of the rates. The rating policy, and the proposed changes, aim to provide the best outcome for the city as a whole while balancing the impact on each ratepayer.

The following document outlines the proposal to accelerate the original staged changes to Year 1 of the LTP and remain at this level for the first 3 years of the LTP. This approach doesn't propose any further changes than officers had previously indicated.

# Have your say

## Key dates

When	What
<b>02/10/2020</b>	Submissions open
<b>01/11/2020</b>	Submissions close
<b>19/11/2020</b>	Submitters present to Te Puna Kōrero
<b>03/12/2020</b>	Te Puna Kōrero deliberates, changes are agreed, and a recommendation made to Council
<b>16/12/2020</b>	Council adopts the amended Rating Policy

## Making a submission

### Go online

The easiest way to make a submission is to go online to our [public consultation](#) page to share your views.

### Write to us

You can fill out the feedback form that accompanies this document and post it to us at Porirua City Council, PO Box 50218, Porirua 5240 or email your feedback form to [submissions@porirua.govt.nz](mailto:submissions@porirua.govt.nz).

If you don't have access to a computer, you can call our Contact Centre on 04 237 5089 to request a hardcopy be posted to you.

### Meetings

Meeting will be scheduled during the consultation period with the following groups:

- Rural ratepayers
- Commercial ratepayers
- Public and Residential ratepayers

### In person

During normal business hours you can find copies of this proposal at all Porirua City libraries, and at our Front Counter, Ground Floor, 16 Cobham Court, Porirua City.

### Your privacy

Please include your name and contact details and let us know if you would like to attend a hearing to speak in support of your submission (so that we can allocate you a speaking time).

All submissions are public information. This supports our drive to be as transparent as possible, but, if there are any personal details you don't want made public, please let us know.

### Want to know more?

If you have any questions, or would like a little more information, you can contact Zach Morton-Adair (Commercial Manager) at [zach.morton-adair@porirua.govt.nz](mailto:zach.morton-adair@porirua.govt.nz) or 04 237 5089.

# The proposal

## Background

Council must undertake a review of the Rating Policy as part of the LTP process and in accordance with s102(1) & 103 of the Local Government Act 2002.

Porirua has seen significant changes to the capital valuations of the City's assets as part of its three yearly review by Quotable Value, which has influenced the proportionate share of each rating categories share of rates.

The 2019 revaluation saw commercial values increase far less than residential properties. The ability of the business sector to absorb the phasing of the final three years in one year has never been stronger.

## Reason for the proposal

As part of the LTP process Council evaluated the mix of differentials and whether the current staging provided the intended outcomes over the six years was still appropriate.

The original LTP proposal was to phase the differential changes in over a three year period. Following consultation feedback it was agreed to phase the staged changes in over six years. In hindsight a six year phased approach complicates Councils ability to undertake significant alignment to the policy's objectives.

The following themes are consistent from the previous rating strategy update and reiterated in this policy update:

- a) From a transparency and sustainability perspective the Council's business differential should be comparable to other territorial authorities especially the closest, Wellington City Council. The rating structure for the business sector should be similar to Wellington City Council so that valid comparisons can be made.
- b) The motel differential is based on the extent of their utilisation of Council services in relation to the capital values of the properties. Being relatively capital intensive and not being fully occupied they consume relatively fewer services and it seems reasonable for motels to have a lower differential than the rest of commercial sector.
- c) The shopping plazas differential group have enjoyed a 20% lower differential than the business differential group (which makes up 98% of the rest of the commercial sector). The shopping plaza's differential staged changes were to equalise the differential basis of the commercial sector to provide parity.

The City Development rate was designed to create a fiscally neutral outcome within the business sector through the staged differential changes. The concept ensures alignment of business sector differential levels with comparable councils within the region and also ensures the business sector pay their fair proportion of the City's costs.

The City Development rate was designed to cover a proportion of costs for:

- a) City growth, City centre and Strategic property activities.
- b) Improvements to existing infrastructure (debt servicing and operating costs of the work – not the capital expenditure) for stormwater that enables further commercial development in existing commercial areas.
- c) Village planning that enhances facilities in the suburban areas. It will only fund a proportion of the debt servicing and operating costs of these improvements (not the capital expenditure) that would be incorporated in the City development rate.

As actual costs have been realised for each of these activities the relating cost have been under recovered. This is a result of cost escalation and changes to budget funding requirements. The gap has therefore been covered by residential and rural ratepayers.

Based on the current projected costs for each of the activity groups the City Development Rate for the 2021/22 rating year is estimated at \$1,210,000 excl GST. Therefore the current stage changes do not reflect the actual costs associated with these activities. Acceleration of the City Development Rate will aim to better align the cost recovery of these activities and reflect the true costs of the business sector.

The current proposal stands to accelerate the City Development rate to \$1,040,000 excl GST. Based on the associated costs and under recovery Council may review the rate level as part of the LTP process. Any under recovery of associated costs results in additional burden being placed on residential and rural ratepayers.

## Conditions and criteria

The following guiding principles have been used in developing the rating options:

- a) Fairness and equity to all ratepayers;
- b) Transparency;
- c) Sustainable to all ratepayers;
- d) Aligned with Council's strategic vision and priorities;
- e) Simple to understand and easy to administer.

Using the guiding principles the rating issues that primarily need to be addressed are the fairness and equity issues.

The key focus areas in developing the rating options:

- a) whether the current ratings structure provides fairness and equity across different sectors;
- b) what is the appropriate level of rural differential.

## Options

### Option one

Status quo. No change to the current Policy.

### Option two

Acceleration of current staged changes to differential to Year 1 of LTP. Year 6 differential levels brought forward to 2021/22 rating year, Year 1 LTP.

### Option three

Inclusion of new targeted rate to fund repairs to private stormwater and wastewater pipes. The inclusion of the targeted rate has no financial impact as is an individual user pays scheme.

### Option four

Acceleration of current staged changes to differential to Year 1 of LTP. Year 6 differential levels brought forward to 2021/22 rating year, Year 1 LTP. Inclusion of new targeted rate to fund repairs to private stormwater and wastewater pipes.

## Comparison

Options	Advantages	Disadvantages
<b>Option one</b>  <b>Status quo</b>	No changes for ratepayers from current stage changes	Doesn't address the fairness and equity issues identified by Council and areas of consideration from 2018 policy update.  Fails to take in the changing landscape as a result of the

		City's revaluation in September 2019.
<p><b>Option two</b></p> <p><b>Acceleration to Year 6 differential</b></p>	<p>Provides to address fairness &amp; equity within the commercial sector. Provide a more level playing field for commercial sector within the city and a commercial rating structure that is comparable with other councils.</p> <p>May assist competitiveness of retail and commercial outside of shopping plazas differential group.</p> <p>Addresses all the fairness and equity issues raised.</p> <p>Accelerates agreed differential to achieve parity and removes time delay to achieve this.</p>	<p>Would speed up the increase of operating costs of shopping plazas differential group. May lead to less investment.</p> <p>May lead to a lesser demand for lifestyle properties.</p>
<p><b>Option three</b></p> <p><b>Introduction of new targeted rate</b></p>	<p>Provides to address current overflows, leaks and cross connection of private pipes.</p> <p>As the scheme is user pays those who own the private pipes are responsible for the repairs to meet current code.</p> <p>Provide financial assistance to ratepayers to finance repairs to private stormwater and wastewater pipes to provide relief from immediate financial burden.</p> <p>Provides better network connection and limit environmental effects from cross connection/leaks and minimises burden place on current network and wastewater treatment plant.</p>	<p>Additional costs to individual ratepayers.</p>
<p><b>Option four</b></p> <p><b>Combine option two &amp; three</b></p>	<p>Advantages of options two &amp; three above.</p> <p>Addresses all the fairness and equity issues. Aligns with strategic priorities of the City.</p>	<p>Disadvantages of options two &amp; three above.</p>

Set out below are the rating impacts of the acceleration of differentials for Year 1 of the LTP by sector. The below values are based on an average rate increase of 4.98% as outlined in year 4 of the current LTP.

2021/22 Rating Year - Year 1: Long Term Plan 2021:					
	Residential	Rural	Business	Shopping Plaza	Motel
<b>Option one</b>					
Status quo	4.67%	7.56%	5.29%	9.20%	4.52%
<b>Option two &amp; four *</b>					
Acceleration to Year 6 differential	Increase 0.05%	Increase 4.21%	Decrease 1.81%	Increase 5.99%	Decrease 0.66%

\* The new targeted rate to fund repairs to private stormwater and wastewater pipes has no financial implications on rate increases to category groups as it is a user pays scheme and as a result the average rate increases for option two and four are the same.

#### **Recommended option & reason**

Option 4 is the preferred option because after all considerations this option provides to address all question around fairness and equity. The staged approach was originally designed to realign the current differential settings to reflect how rates are charged and benefits received. Option 4 provides parity in a timely manner to reach the desired outcomes.

Option 4 in its entirety addresses the overall impact on the community and the distribution of benefits.



## Supporting information

- Proposed Funding Impact Statement

## Submission form

We'd love your feedback on the proposed changes to the Rating Policy to assist our Council in its decision-making.

### Privacy

All submissions are public information. This supports our drive to be as transparent as possible, but, if there are any personal details you don't want made public, please let us know.

### Your details

We'd like to know a little more about you

First name		Last name	
Organisation			
Physical address			
Suburb			
Email			

### Presenting your submission in person

Would you like to come and talk to the Council about your submission?

Yes       No

If yes, please provide a phone number so we can get in touch:

### Your feedback

You can leave your feedback on the proposal here or complete the 'your details' section above and attach your feedback.

Please select your preferred option and provide some reasons why:

1. Rating Category

Residential    Commercial    Shopping plaza's    Motel    Rural

2. Do you support the proposed amendments to the Rating Policy?

Yes       No       Partially

3. Preferred option:

Option one    Option two    Option three    Option four

Comments



