

6.2 PROPOSED CHANGES TO RATING POLICY FOR LONG TERM PLAN 2021-51

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PURPOSE

To seek approval of the rating options and the Statement of Proposal for consultation as part of the Long Term Plan 2021-51 (LTP) process.

RECOMMENDATIONS

That Te Puna Kōrero:

1. Receive the report.
2. Agree to approve the following rating options for consultation:
 - a. Option 1 – Status Quo. No change to current Rating Policy.
 - b. Option 2 – 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.
 - c. Option 3 – Inclusion of new targeted rate to fund repairs to private stormwater and wastewater pipes.
 - d. Option 4 – 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.
3. Approve option 4 as the Councils preferred option to address the fairness and equity issues identified and provide better alignment of rating differentials following the City's revaluation in 2016 and 2019.
4. Approve the Statement of Proposal attached covering the proposed changes to the Rating Policy for consultation.
5. Approve the consultation period 2 October 2020 to 1 November 2020 and consultation timetable.

Reports contain recommendations only. Refer to the meeting minutes for the final decision.

BACKGROUND

1. Council must undertake a review of the Rating Policy as part of the Long Term Plan (LTP) process and in accordance with s102(1) & 103 of the Local Government Act 2002.
2. 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.
3. Workshops with Council were held to consider the current Rating Policy and possible changes that could be considered.
4. 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.
5. Council evaluated the mix of differentials and whether the current staging provided the intended outcomes over six years was still appropriate.
 6. The principle of the business differential changes and introduction of a new City Development rate was based upon a fiscally neutral outcome i.e. while the differential reduced a new targeted rate was added.
 7. Revaluations have resulted in different outcomes than originally anticipated within the component groups within the business sectors properties.
 8. The number of rates derived from the City Development rate was based upon the estimated costs set out in the 2018 LTP. Actual costs have differed and resulted in under recovery of costs from the business sector. The "gap" has therefore been covered by residential and rural ratepayers.
 9. 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 our ability to undertake significant alignment of the policies objectives.
 10. The 2019 revaluation has also seen commercial values increase far less than residential properties. The ability of the business sector to absorb the phasing of the final 3 years in one year has never been stronger.
 11. Council considered a number of rating issues and options that were raised in relation to those guiding principles at the Council workshops including:
 - a. Status quo;
 - b. Acceleration of current staged changes to differential to Year 1 of 2021-51 Long Term Plan;
 - c. Removal of rural differential change to 1.0. (this has been removed from current consultation options however should be reviewed as part of any future update to the Rating Policy);
 - d. Review of City Development rate and proportionate share of rates borne by the Commercial Sector and effect of revaluation on such;
 - e. Suitability of current differentials following the revaluation to align with principle of fairness and equitable.
 - f. Inclusion of targeted rate funding mechanism to provide financial assistance to fund repairs to private stormwater and wastewater pipes.
 12. Council indicated support for some of these options and asked that further work be carried out and prepared for consultation.

DISCUSSION AND OPTIONS

Introduction

13. Using the guiding principles the rating issues that primarily need to be addressed are the fairness and equity issues.
14. 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.

15. It is noted that 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.
16. 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.
17. 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.
18. 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.
19. 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.
20. 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.

Options

Option one

21. Status quo. No change to current Rating Policy.

Option two

22. 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

23. 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

24. 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

25. An analysis of the options in terms of advantages and disadvantages is as follows:

Options	Advantages	Disadvantages
Option one Status quo	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.
Option two Acceleration to Year 6 differential	Provides to address fairness & equity within the commercial sector. Provide a more level playing field for commercial sector within Porirua and a commercial rating structure that is comparable with other councils. May assist competitiveness of retail and commercial outside of shopping plazas differential group. Addresses all the fairness and equity issues raised. Accelerates agreed differential to achieve parity and removes time delay to achieve this.	Would speed up the increase of operating costs of shopping plazas differential group. May lead to less investment. May lead to a lesser demand for lifestyle properties.
Option three Introduction of new targeted rate	Provides to address current overflows, leaks and cross connection of private pipes. As the scheme is user pays those who own the private pipes are responsible for the repairs to meet current code. Provide financial assistance to ratepayers to finance repairs to private stormwater and wastewater pipes to provide relief from immediate financial burden. Provides better network connection and limit environmental effects from	Additional costs to individual ratepayers.

	cross connection/leaks and minimises burden place on current network and wastewater treatment plant.	
Option four Combine option two & three	Advantages of options two & three above. Addresses all the fairness and equity issues. Aligns with strategic priorities of the City.	Disadvantages of options two & three above.

26. 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:					
Options	Residential	Rural	Business	Shopping Plaza	Motel
Option one Status quo	4.67%	7.56%	5.29%	9.20%	4.52%
Option two & four *	4.72%	11.77%	3.48%	15.19%	3.86%
Acceleration to Year 6 differential	Increase 0.05%	Increase 4.21%	Decrease 1.81%	Increase 5.99%	Decrease 0.66%

27. * 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

28. The preferred option is option 4 because of all the 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.
29. Option 4 in its entirety addresses the overall impact on the community and the distribution of benefits.
30. Included in this report is the attachment outlining the proposed changes to the Funding Impact Statement and the proposed Rating Policy changes to be consulted on between 2 October 2020 to 1 November 2020.
31. The proposed Consultation timetable is as follows:

Committee	Date	Report
Te Puna Korero	1 October 2020	Approve Rating Policy options for Consultation
Consultation Period	2 October 2020 to 1 November 2020	
Te Puna Korero	19 November 2020	Hearings
Te Puna Korero	3 December 2020	Deliberations
Council	16 December 2020	Recommendation to Council on preferred Rating option for inclusion in the LTP

CONCLUSION

32. The proposed options for consultation address some of the fairness and equity concerns identified within the current Rating Policy.
33. Each of the options can stand alone and our recommendations is that the preferred option is Option four.

SUPPORTING INFORMATION**CONTRIBUTION TO COUNCIL'S STRATEGIC DIRECTION**

The issues in this report contribute to the strategic priorities of:

- a. A growing prosperous and regionally connected city
- b. Children and young people at the heart of the city
- c. A great village and city experience
- d. A healthy and protected harbour and catchment"

The Rating Policy is related to the Funding Impact Statement, which provides the application and rating impacts of the policy.

FINANCIAL CONSIDERATIONS**Financial Implications**

The Rating Policy will set the direction on how Council distributes its rates across the various sectors of the city.

STATUTORY REQUIREMENTS

The Rating Policy is a key requirement of the Local Government Act 2002. As part of the Long Term Plan process, the Funding Impact Statement must be adopted by the Council.

TREATY CONSIDERATIONS

There are no Treaty implications identified in relation to the issues in this report.

SIGNIFICANCE

As part of the Long Term Plan the Rating Policy and the Funding Impact Statement will be assessed against the Council's Significance Policy. This is in terms of any significant change of the strategic direction, long term financial strategy or major programmes of work set in the Long Term Plan.

The proposed changes to the Rating Policy and the Funding Impact Statement do trigger the Council's Significance Policy.

ENGAGEMENT AND COMMUNICATIONS

34. Subject to Council approving the proposal, the following are key dates:
 - a. Submissions open 1 October 2020
 - b. Submissions close 1 November 2020
 - c. Hearing take place and submitters present to Council 19 November 2020
 - d. Council deliberates and determines 3 December 2020
 - e. Amended Rates Remission and Postponement Policy adopted 16 December 2020
35. This proposal will be publicly notified by:
 - a. Website 2 October 2020
 - b. Kapi-Mana 6 October 2020
 - c. Stakeholder letters 2 October 2020

- d. Facebook notification 2 October 2020
- 36. The documents and ways to have your say will be accessible through the Porirua City public website.
- 37. Meeting will be schedule during the consultation period with the following groups:
 - Rural ratepayers
 - Commercial ratepayers
 - Public and Residential ratepayers

ATTACHMENTS

- 1. Proposed Funding Impact Statement**
- 2. Statement of Proposal - Rating Policy**

Funding Impact Statement 2021 Long Term Plan

Funding impact statement

The Funding Impact Statement is developed to disclose the rating mechanisms the Council intends to use and the level of funds produced by each rating tool as required by Clause 20 of Schedule 10 of the Local Government Act 2002 (LGA) and the Local Government (Rating) Act 2002 (Rating Act). The system of differential rating is also defined in the Funding Impact Statement.

Key features

A Funding Impact Statement must consider the following matters including the intended use of rating mechanisms in order to achieve compliance with legislation:

Matters	Local Government Act legislation
The valuation system and basis of setting the general rate and the Uniform Annual General Charge.	Sections 13 and 15 of the Rating Act and clauses 20(3)(a) and (b) of Schedule 10
The categories that would be used for differentiating the general rate.	Section 14 of the Rating Act and Clause 20(3)(c) of Schedule 10
The activities or group of activities for which a targeted rate will be set.	Section 16 of the Rating Act and Clause 20(4)(a) of Schedule 10
The categories of land that will be used to set a targeted rate.	Section 17 of the Rating Act and Clause 20(4)(b) of Schedule 10
Any factor or factors that will be used to calculate liability for a targeted rate.	Section 18 of the Rating Act and Clause 20(4)(c) of Schedule 10
The Council's definition of Separately Used or Inhabited Part of a rating unit if a charge is to be calculated on that basis.	Clauses 20(3)(b)(ii) and 20(4)(c)(ii) of Schedule 10

Application

The Council will use a mixture of the following rating mechanisms to cover the estimated expense of the Council for the period of the plan:

- General Rates
- A Uniform Annual General Charge
- Targeted Rates for Water Supply, Wastewater, Pumped Pressure Sewerage and Water Reticulation for Pāuatāhanui Village, Repairs to Private Stormwater and Wastewater Pipes, Kerbside Recycling Collection, and City Development
- Fees and Charges
- Subsidies and Grants
- Interest Income
- Development Levy Contributions
- Reserves Funds
- Loan Funds
- Working Capital

General rates

A valuation system on which the general rates will be assessed, the Council will set a general rate based on the capital value of all ratable land in the city.

A Uniform Annual General Charge (UAGC) will be set and calculated as a fixed amount per separately used or inhabited part of a rating unit.

The general rate will be set on a differential basis based on land use; location or both land use and location.

Objectives of the general rate

The rate in the dollar of the general rate set on the capital value in respect of any specified category of property in Porirua City must vary from the rate in the dollar in respect of any other specified category of property according to the following categories and factors:

Categories and Groups	Factor 2021/22
Residential	
Group 01 – Residential and Other	1.00
Commercial	
Group 13 – Business*	3.10
Group 15 – Motels**	1.42
Group 16 – Shopping Plazas***	3.10
Rural	
Group 19 – Rural (less than 50ha)****	0.8
Group 20 – Rural (50ha or greater)*****	0.7
Group 21 – Rural (Hongoeka Community)*****	0.7

*Group 13 – Business

The reduction in the differential for Group 13 – Business will be implemented in Year 1 of the Long Term Plan 2021-51. The new rate is set as a rate in the dollar based on the Capital Value of Group 13 – Business. The differential factors is as follows:

Year Applied	Previous Factor	New Factor
2021/22 (Year 1)	3.25	3.10
2022/23 (Year 2)	3.18	3.10
2023/24 (Year 3)	3.10	3.10

**Group 15 – Motels

The reduction in the differential for Group 15 – Motels will be implemented in Year 1 of the Long Term Plan 2021-51. The new rate is set as a rate in the dollar based on Capital Value for Group 15 – Motels. The differential factors are as follows:

Year Applied	Previous Factor	New Factor
2021/22 (Year 1)	1.52	1.42
2022/23 (Year 2)	1.47	1.42
2023/24 (Year 3)	1.42	1.42

***Group 16 – Shopping Plazas

The increase in the differential for Group 16 – Shopping Plazas will be implemented in Year 1 of the Long Term Plan 2021-51. The new rate is set as a rate in the dollar based on Capital Value of the properties for Group 16 – Shopping Plazas. The differential factors are as follows:

Year Applied	Previous Factor	New Factor
2021/22 (Year 1)	3.00	3.10
2022/23 (Year 2)	3.05	3.10
2023/24 (Year 3)	3.10	3.10

****Group 19 – Rural (less than 50ha)

The increase in the differential for Group 19 – Rural (less than 50ha) will be implemented in Year 1 of the Long Term Plan 2021-51. The new rate is set as a rate in the dollar based on Capital Value on the properties for Group 19 – Rural (less than 50ha). The differential factors are as follows:

Year Applied	Previous Factor	New Factor
2021/22 (Year 1)	0.766	0.80
2022/23 (Year 2)	0.733	0.80
2023/24 (Year 3)	0.80	0.80

*****Group 20 – Rural (50ha or greater)

Those rural properties 50 hectares and greater including those properties that are less than 50 hectares but are farmed as one farming operation with a total land area of 50 hectares or greater will retain the 0.7 rural differential factor. The rate is set as a rate in the dollar based on Capital Value on the properties for Group 20 – Rural (50ha or greater). The differential factor is as follows:

Previous Factor	New Factor
0.70	0.70

*****Group 21 – Rural (Hongoeka Community)

Those properties in the Hongoeka Community as per GIS map reference #5417592 (21/12/2017) will retain the 0.7 rural differential factor. The rate is set as a rate in the dollar based on Capital Value on the properties for Group 21 – Rural (Hongoeka Community). The differential factor is as follows:

Previous Factor	New Factor
0.70	0.70

The general rate will be calculated as follows:

- The total capital value of each differential category is multiplied by the factor for that differential category. Differential category totals are summed to give a total "adjusted capital value" of all rating units in Porirua City.
- The total general rate requirement for the relevant year is divided by the total adjusted capital value to give the Base Rate.
- The Base Rate is then multiplied by each differential category factor to give the rate for that differential category.

- Each differential category rate is multiplied by the total capital value of that differential category to give the total rates to be paid by the differential category.

Targeted Rates¹

Water Supply: water charged by quantity consumed

The Council will set a targeted rate for water supply that is based on the volume of water supplied to all rating units in the city that are classed as receiving an extraordinary water supply as defined by the Council's Water Bylaw. This charge will be set on a scheme basis. The schemes are:

Schemes	Explanation
1	Those rating units in the Judgeford area that are supplied water by meter directly from the Wellington Regional Council supply line. The rate is calculated as a fixed charge per cubic metre of water consumed.
2	Those rating units that are supplied water by meter indirectly from the Wellington Regional Council supply line via a Porirua City reservoir. The rate is calculated as a fixed charge per cubic metre of water consumed.
3	All rating units other than those included in Scheme 1 or 2 above, that are supplied water by meter through Porirua City's water supply system. The rate is calculated as a fixed charge per cubic metre of water consumed.

Water Supply: water charged by fixed charges

For properties that are not charged for water by meter, the Council will set a targeted rate for water supply on the basis of a targeted rate per separately used or inhabited part of a rating unit in the city which are either connected to the water supply system or for which connection is available. This charge will be set on a differential basis based on use and based on the availability of service (the categories are "connected" and "serviceable" where "serviceable" will be charged a half charge). The charge is calculated as a fixed amount per separately used or inhabited part of a rating unit. "Connected" separately used or inhabited parts of a rating unit will be charged a full charge and "serviceable" separately used or inhabited parts of a rating unit will be charged a half charge. Rating units which are not connected to the water supply system and are not serviceable will not be liable for this rate.

Note: refer to the section on differential matters and categories below, for the matters and categories used to determine the differentials.

Wastewater

The Council will set a targeted rate for wastewater on the basis of a targeted rate per each water closet or urinal connected directly or through a private drain to a public sewerage drain. This charge will be set based on the availability of service (the category is "connected"). The Council does not differentiate the rate. The charge is calculated as a fixed amount for each water closet or urinal connected directly or through a private drain to a public sewerage drain. All rating units used exclusively or principally as a residence of not more than one household shall be deemed to have not more than one water closet or urinal. Rating units which do not have any water closets or urinals connected directly or through a private drain to a public sewerage drain are not serviceable and will not be liable for this rate.

Wastewater and Water: pumped pressure sewerage and water reticulation for Pāuatahanui Village

A targeted rate for Pumped Pressure Sewerage and Water Reticulation for Pāuatahanui Village, set under section 16(3)(b) and (4)(b) of the Local Government (Rating) Act 2002, which equates to a 50% share of the total capital costs that relate to the construction of the Pāuatahanui Water Supply and Sewerage Schemes. It will apply to those properties that are defined by Drawing PCC#1078116-v1 (25/09/2014), held by the Council and are connected to the scheme. The scheme is defined as the

¹ The Council does not accept lump sum contributions in respect of any targeted rate.

"pumped pressure systems" for Pāuatahanui Village connecting to the public sewer system at Joseph Banks Drive and connecting to the existing public water supply system in Pāuatahanui.

The Council does not differentiate the rate. The charge is calculated based on 50% of the total capital cost that relates to the construction of the Pumped Pressure Sewerage and Water Reticulation for Pāuatahanui Village and will be a fixed charge of \$779.31 (GST inclusive) per annum for 25 years for every unit able to be connected or serviced by the scheme.

Rating units which have any water closets or urinals connected directly or through a private drain to the scheme will be liable for sewage disposal targeted rates.

Rating units that are connected or serviceable to the water supply, and not charged for by meter, will be liable for water supply targeted rates.

The Council's share of the capital cost of the scheme will form part of the Pumped Pressure Sewerage and Water Reticulation for Pāuatahanui Village Scheme for the targeted rate calculation that is applied to all applicable rating units.

Wastewater and Stormwater Financial Assistance: Repairs to Private Stormwater and Wastewater Pipes

The Council will set a targeted rate to fund the repayment of financial assistance provided to ratepayers for replacement of wastewater and stormwater pipes located on their property. This rate is set under section 16(3)(b) and (4)(a) of the Local Government (Rating) Act 2002. The rate will apply to rating units where the ratepayer has volunteered to receive financial assistance from the Council (and for for the targeted rate to apply).

This voluntary targeted rate will only be available to rating units within the Group 01 – Residential Group 13 – Commercial, Group 15 – Motels or Group 16 - Shopping Plazas categories.

To be liable for this targeted rate, ratepayers will need to enter into a contract with the Council recording the exact terms and conditions of the assistance provided. The liability for the rate will be calculated as the amount of the financial assistance provided to the relevant ratepayer.

The payment of this rate can be extended over several years in accordance with the Council's rates postponement policy.

The Council does not differentiate the rate.

Solid Waste: kerbside recycling

The Council will set a targeted rate for the kerbside recycling collection service on the basis of a targeted rate per separately used or inhabited part of a rating unit in the city to which the kerbside recycling collection service is provided. This charge will be set based on the availability of service (the category is "serviceable"). The Council will not differentiate the rate. The charge is calculated as a fixed amount per separately used or inhabited part of a rating unit.

Rating units which are not provided with a kerbside recycling collection service are not serviceable and will not be liable for this rate.

Economic Development: City Development Rate

The City Development Rate is assessed on all rating units in the commercial sector i.e. Group 13 – Business, Group 15 – Motels and Group 16 – Shopping Plazas.

The City Development Rate will fund City Development covering a proportion of costs for City Growth and City Centre and Strategic Property activities. Also included in City Development Rate are improvements to existing infrastructure (debt servicing and operating costs of the improvements – not the capital expenditure) for Stormwater that enables further commercial development in existing commercial areas.

Other activities to be funded by the City Development Rate include 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.

The City Development Rate will be increased to \$1.04 million plus GST in 2021/22 (Year 1 LTP) and remain at this level for the first 3 years of the Long Term Plan.

Year Applied	Current charge – City Development Rates (plus GST)	Propose charge – City Development Rates (plus GST)
2021/22 (Year 4)	\$695,000	\$1,040,000
2022/23 (Year 5)	\$870,000	\$1,040,000
2023/24 (Year 6)	\$1,040,000	\$1,040,000

The rate is set as a rate in the dollar based on Capital Value of the commercial sector i.e. Group 13 – Business, Group 15 – Motels and Group 16 – Shopping Plazas.

Differential matters and categories

Where councils assess rates on a differential basis they must use one or more matters specified in Schedule Two of the Rating Act to define the categories of rateable land. The Council is required to state which matters will be used for defining the categories of rateable land for each targeted rate.

Differentials based on land use and/or location

The Council will use the matters of land use and/or location to differentiate the general rate. The differential categories for the purposes of the general rate are as follows and all property in Porirua City must be allocated to one of the following categories:

Services, activities and facilities provided by the Council

Categories	Explanation				
Group 01 - Residential and other	All rating units not otherwise included in Groups 13, 15, 16, 19, 20 or 21. For the avoidance of doubt, this category includes Porirua City owned utility networks such as water and drainage systems and all retirement villages and rest homes unless the retirement village or rest home are included in Group 19, 20 or 21.				
	<table border="1"> <thead> <tr> <th>Subcategories</th> <th>Explanation</th> </tr> </thead> <tbody> <tr> <td>Group 13 - Business</td> <td> <p>All rating units located in the following areas as defined in the District Plan:</p> <ul style="list-style-type: none"> in the City Centre Zone; but excluding rating units used for residential accommodation; the Industrial Zone; but excluding rating units: <ul style="list-style-type: none"> included in Groups 15 or 16; located at 9 Kapuni Grove; used as retirement villages or rest homes. <p>All other rating units in the city used principally for commercial and/or industrial purposes: but excluding rating units:</p> <ul style="list-style-type: none"> included in Groups 15 or 16; used as retirement villages or rest homes </td> </tr> </tbody> </table>	Subcategories	Explanation	Group 13 - Business	<p>All rating units located in the following areas as defined in the District Plan:</p> <ul style="list-style-type: none"> in the City Centre Zone; but excluding rating units used for residential accommodation; the Industrial Zone; but excluding rating units: <ul style="list-style-type: none"> included in Groups 15 or 16; located at 9 Kapuni Grove; used as retirement villages or rest homes. <p>All other rating units in the city used principally for commercial and/or industrial purposes: but excluding rating units:</p> <ul style="list-style-type: none"> included in Groups 15 or 16; used as retirement villages or rest homes
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Group 13 - Business	<p>All rating units located in the following areas as defined in the District Plan:</p> <ul style="list-style-type: none"> in the City Centre Zone; but excluding rating units used for residential accommodation; the Industrial Zone; but excluding rating units: <ul style="list-style-type: none"> included in Groups 15 or 16; located at 9 Kapuni Grove; used as retirement villages or rest homes. <p>All other rating units in the city used principally for commercial and/or industrial purposes: but excluding rating units:</p> <ul style="list-style-type: none"> included in Groups 15 or 16; used as retirement villages or rest homes 				

Categories	Explanation
	All rating units that comprise network utility systems such as water, gas or petroleum energy distribution systems, electricity distribution systems, postal distributions systems and telecommunications or radio communications systems but not including Porirua City owned utilities (which are included in Group 01).
Group 15 - Motels	All rating units used principally for short-term motel, hotel, motor hotel, or backpacker accommodation, but not including a boarding house, motor camp or camping ground. For the purpose of this definition "accommodation" includes residential accommodation and garaging facilities and may include facilities, including restaurant facilities, reasonably ancillary to the short-term accommodation.
Group 16 - Shopping Plazas	All rating units: <ul style="list-style-type: none"> Used as a self-contained shopping plaza, in particular those rating units known collectively as the North City Shopping Centre (more particularly defined by reference to Drawing 4/E/346 dated 22/03/99 (PCC#1078172-v1), held by the Council); and Comprising a bulk retailing centre and adjacent rating units (more particularly defined by reference to Drawing 4/E/354 dated 08/02/00 (PCC#1078175-v1 & PCC#1090420-v1), held by the Council).
Group 19 – Rural (less than 50ha)	All rating units less than 50 hectares in any rural zone, other than rating units included in any of Groups 13, 15, 16, 20 or 21.
Group 20 – Rural (50ha or greater)	All rating units 50 hectares or greater in any rural zone, other than rating units included in any of Groups 13, 15, 16, 19 or 21.
Group 21 – Rural (Hongoeka Community)	All rating units in the Hongoeka Community as shown in Map no. 5417592 dated 21/12/2017.

Notes to the above Funding Impact Statement:

- All references in the definitions to zones are references to zones defined in the Porirua City District Plan.
- Subject to the right of objection to the rating information database set out in section 29 of the Rating Act 2002 the Council is the sole determiner of the categories.
- "Retirement village" has the same meaning as in the Retirement Villages Act 2003.
- "Rest home" has the same meaning as in the Health and Disability Services (Safety) Act 2001.

Availability of service

The differential categories for the water supply rate are:

Categories	Explanation
Connected	Any rating unit that is connected to Council operated water supply networks.
Serviceable	Any rating unit that is not connected to Council operated water supply networks but is within 100 metres of such networks.
Definition of "Separately Used or Inhabited Part" of a Rating Unit	"Separately used or inhabited part" of a rating unit includes any part of a rating unit separately used or inhabited by the owner or any other person who has the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement. At a minimum, the land or premises intended to form the separately used or inhabited part of the rating must be capable of actual inhabitation or actual use by persons for the purposes of conducting a business. For the avoidance of doubt, a rating unit that has only one use (i.e. it does not have separate parts or is vacant land) is treated as being one separately used or inhabited part.

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). This proposal recognises changes to the current Policy to align with guiding principles and the proportionate share of rates between each rating category.

This document outlines the proposed changes to Porirua City Council's (Council) Rating Policy a requirement of the Local Government Act 2002.

Have your say

Key dates

When	What
02/10/2020	Submissions open
01/11/2020	Submissions close
19/11/2020	Submitters present to Te Puna Kōrero
03/12/2020	Te Puna Kōrero deliberates, changes are agreed, and a recommendation made to Council
16/12/2020	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@poriruacity.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 schedule 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@poriruacity.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
Option one Status quo	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>Option two</p> <p>Acceleration to Year 6 differential</p>	<p>Provides to address fairness & 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>Option three</p> <p>Introduction of new targeted rate</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>Option four</p> <p>Combine option two & three</p>	<p>Advantages of options two & three above.</p> <p>Addresses all the fairness and equity issues. Aligns with strategic priorities of the City.</p>	<p>Disadvantages of options two & 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
Option one					
Status quo	4.67%	7.56%	5.29%	9.20%	4.52%
Option two & four *					
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

