

# Funding Impact Statements Including Rates for 2020-2021

This section includes full details of how rates are calculated. This statement should be read in conjunction with Council's Revenue and Financing Policy, which sets out Council's policies in respect of each source of funding of operating expenses.

## Summary of funding mechanisms and indication of level of funds to be produced by each mechanism

The Whole of Council Funding Impact Statement sets out the sources of funding to be used for 2020 - 2021, the amount of funds expected to be produced from each source, and how the funds are to be applied. Details of user charges and other funding sources, and the proportion applicable to each activity, are included in the Council's Revenue and Financing Policy.

## Uniform annual general charge (UAGC)

Council has not set a UAGC for 2020/21.

## Definition of Separately Used or Inhabited Part (SUIP)

For the purposes of any targeted rate set as a fixed amount per SUIP of a rating unit, a SUIP is defined as:

- any part of the 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 unit must be capable of actual habitation, or actual use by persons for 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 SUIP of a rating unit.

## Rates for year

For the 2020-2021 year, and for subsequent years, the Council will set the following rates:

### a) Water Supply Rate

A targeted rate will be set to meet the net operating costs of water supply and reticulation in the city. Lump sums will not be invited in respect of this rate. Council has set the targeted rate for water supply on the basis of the following factors:

- a charge per separately used or inhabited part of a rating unit which is connected to the water reticulation system and is not metered.
- a charge of 50% of the above charge per separately used or inhabited part of a rating unit that is not connected to, but is able to be connected to the water reticulation system.
- a charge per rating unit which is connected to the water reticulation system and contains more than one separately used or inhabited part, where a water meter has been installed to measure the total water consumed.

Provided that:

- rating units situated within 100 metres from any part of the water reticulation network are considered to be able to be connected (i.e. serviceable).
- rating units that are not connected to the system, and that are not able to be connected, will not be liable for this rate.
- where the owner of a rating unit with more than one separately used or inhabited part has installed a water meter to measure the total water consumed, the owner will be liable to pay for water consumed as measured by the meter as set out in Council's Fees and Charges.

The charges for the 2020-2021 rating year are as follows:

Category	Charge
Connected and unmetered	\$489.00 per part
Serviceable but not Connected	\$244.50 per part
Connected and metered	\$489.00 per rating unit

## b) Wastewater Rate

A targeted rate will be set to meet the net operating costs of wastewater collection, treatment and disposal within the city. Lump sums will not be invited in respect of this rate.

Council will set the targeted rate for the wastewater function on the basis of the following factors:

- a charge or separately used or inhabited part of a rating unit for all rating units connected to the wastewater system.
- for rating units in the business categories, an additional charge of 50% of the above charge for the second and each subsequent WC or urinal connected to the wastewater system.

Provided that:

- no charge is made to any rating unit not connected to the wastewater system.

The charges for the 2020-2021 rating year are as follows:

Category	Charge
Connected – SUIP	\$519.00 each
For commercial properties second and each subsequent WC or urinal per rating unit	\$259.50 each

## c) Recycling Charge

A targeted rate will be set to meet 100% of the costs of the recycling collection service from residential properties. Lump sums will not be invited in respect of this rate.

The targeted rate will be set as a fixed amount per separately used or inhabited part (SUIP) of each rating unit in the Residential differential category.

The charge for the 2020-2021 rating year is as follows:

Category	Charge
Rating units in the Residential category	\$40.00

## d) Jackson Street Programme Rate

A targeted rate, based on the capital value of each rating unit, will be set to raise revenue from rating units being operated as businesses and with a frontage to Jackson Street, Petone, between Hutt Road and Cuba Street. The revenue raised from this rate will be applied to meet the costs of the Jackson Street Programme, which is a community-based initiative to help reorganise and revitalise commercial activities in Jackson Street. Lump sums will not be invited in respect of this rate.

The charge for the 2020-2021 rating year is as follows:

Category	Charge
Rating units in any business category having frontage to Jackson Street, Petone, between Hutt Road and Cuba Street	0.0007130 cents per \$ of Capital Value

## e) General Rate

A general rate will be set:

- to meet the costs of Council activities, other than those detailed above
- based on the Capital Value of each rating unit in the city
- on a differential basis, based on the use to which the land is put.

## Property revaluation September 2019 effective 1 July 2020

The average increase in the capital value of properties across all sectors is tabled below:

Main Property Categories	Capital Value change
Residential	31.8%
Commercial	16.9%
Industrial	38.5%
Other	25.1%
Utilities	12.8%

The average increase in the capital values of properties in the residential sector is 31.8%. This is due to the high demand for residential properties throughout New Zealand. If you are a residential ratepayer and the property value of your property has gone up by more than the average of the city, then your proportion of the general rate will go up. If your property's value has increased by less than the average, then your proportion will go down. However it is important to remember that even if the capital value of your home

has increased by more than 32%, that doesn't mean your rates will go up by 32%. The amount you pay is relative to the total value of the city.

## Differential rating details

Each rating unit is allocated to a differential rating category (based on land use and location) for the purpose of calculating the general rate and some targeted rates. Set out below are the definitions used to allocate rating units to categories, together with details of the differential rating relationships between each category of rating unit for the purposes of setting and assessing the general rate. The relationships are calculated to produce, as near as is practicable, the correct proportion of general rate revenue from each group, as is indicated by Council's Revenue and Financing Policy, which was amended as part of the 2020/21 Annual Plan which introduced a new differential category for Queensgate Mall.

## Definition of rating categories

Category	Description
Residential (RES)	All rating units in the city which are: <ul style="list-style-type: none"> <li>used primarily for residential purposes, excluding properties categorised as rural;</li> <li>used or set aside for reserve or recreational purposes (other than East Harbour Regional Park).</li> </ul>
Rural (RUR)	All rating units in the city which are: <ul style="list-style-type: none"> <li>used primarily for residential purposes, having an area in excess of 3,000 m<sup>2</sup>, but not connected to either water or sewerage reticulation;</li> <li>East Harbour Regional Park;</li> <li>not otherwise categorised in the Definition of Rating Categories table.</li> </ul>
Business Accommodation (BUA)	All rating units in any part of the city which are used primarily for commercial accommodation.
Business Central (BUC)	All rating units which are located within the Central Area Parking District and which are used primarily or predominantly for commercial and/or industrial purposes, excluding properties categorised as: <ul style="list-style-type: none"> <li>Utility Networks;</li> <li>Business Accommodation;</li> <li>Business Queensgate.</li> </ul>
Business Queensgate (BUQ)	All rating units within the boundary of Bloomfield Terrace, Knights Road, Bunny Street, Queens Drive and Waterloo Road, which are commonly known as Queensgate Mall.
Business Suburban (BUS)	All rating units in any part of the city which are used primarily or predominantly for commercial and/or industrial purposes, excluding properties categorised as: <ul style="list-style-type: none"> <li>Community Facilities;</li> <li>Business Central;</li> <li>Utility Networks;</li> <li>Business Accommodation;</li> <li>Business Queensgate.</li> </ul>

Category	Description
Utility Networks (UTN)	All rating units which comprise all or part of a utility network.
Community Facilities 1 (CF1)	All land in the city which is: <ul style="list-style-type: none"> <li>non-rateable in terms of the Local Government (Rating) Act 2002, Schedule 1, Part 1;</li> <li>50% non-rateable in terms of the Local Government (Rating) Act 2002, Schedule 1, Part 2.</li> </ul>
Community Facilities 2 (CF2)	All rating units in the city occupied by charitable trusts and not-for-profit organisations which either: <ul style="list-style-type: none"> <li>use the land for non-trading purposes for the benefit of the community;</li> <li>would qualify as land which is 50% non-rateable in accordance with Part 2 of Schedule 1 of the Local Government (Rating) Act 2002 if the organisation did not have a liquor licence, but excluding any rating unit used for residential purposes.</li> </ul>
Community Facilities 3 (CF3)	All rating units in the city occupied by not-for-profit community groups or organisations whose primary purpose is to address the needs of adult members for entertainment or social interaction, and which engage in recreational, sporting, welfare or community services as a secondary purpose.

## For the purposes of these definitions:

- rating units which have no apparent land use (or where there is doubt as to the relevant use) will be placed in a category which best suits the activity area of the property under the District Plan;
- rating units which have more than one use (or where there is doubt as to the relevant primary use) will be placed in the category with the highest differential factor;
- Central Area Parking District is as defined in the District Plan – City of Lower Hutt.

For the avoidance of doubt, "commercial purposes" includes rating units used:

- as a hotel, motel, inn, hostel or boarding house
- primarily as licensed premises
- as a camping ground
- as a convalescent home, nursing home, rest home or hospice operating for profit
- as a fire station
- by a government, quasi-government or local authority agency for administration or operational purposes
- as an establishment similar to any of the kinds referred to above, except to the extent that any such rating unit is non-rateable land in terms of the Local Government (Rating) Act 2002.

For the avoidance of doubt, Business Queensgate is based on location, rather than use.

A “utility network” includes:

- a gas, petroleum or geothermal energy distribution system
- an electricity distribution system
- a telecommunications or radio communications system
- a wastewater, storm water or water supply reticulation system.

“Commercial accommodation” means the provision of accommodation for more than five persons (with or without any care, medical or other treatment or services) in the course of business, and to that extent includes:

- a hotel, motel, inn, hostel or boarding house
- any licensed premises where the provision of accommodation is the primary use
- a camping ground
- a convalescent home, nursing home, rest home or hospice operating for profit.

Subject to the right of objection set out in section 29 of the Local Government (Rating) Act 2002, it shall be at the sole discretion of Council to determine the use or primary use of any rating unit in the city.

## Relationships of Differential Categories

The general rate payable on each category of property is expressed as a rate in the dollar of capital value.

The different rates in the dollar for different categories of property are determined as a result of the review described above. These different rates in the dollar for different property categories are known as “differential factors” and are agreed following the completion of step two of the process (which is designed to allow the Council to apply its judgement on the overall impact on the community).

Following a Revenue and Financing Policy review undertaken by Council in 2012, it determined the following differential factors for each category of property:

- Residential: 1.0
- Business: 2.3
- Business Central: 2.3
- Utility Networks: 2.3
- Rural: 0.8
- Community Facilities 1: 1.0
- Community Facilities 2: 0.5
- Community Facilities 3: 2.3

In 2012 Council commenced a 10 year shift in the differential to achieve these ratios.

The underlying objectives of the transition were to:

- Lower the allocation of rates to the rural sector to a level where the rural differential is equal to 0.8. This change has been made on the basis that rural properties often experience a lower level of service because of the longer distances between rural properties and Council facilities.
- Provide two special categories of community facilities and rate them at a lower differential to recognise the community benefits provided by such facilities. The two categories are Community Facilities 1 and Community Facilities 2 and are defined in the Funding Impact Statement, along with the differential to apply to each. A third category of Community Facilities is also defined but no adjustment has been made to the differential to be levied on this category.
- Standardise the differential for all other non-residential properties so that such properties are rated on the same basis.

For 2017-18, Council agreed to freeze the differential transition for one year and extend the transition period by a year, to reduce the rates impact on residential ratepayers caused by the significant increase in residential property values following the three yearly revaluation of properties (for rating purposes), in October 2016.

The differential policy was reviewed by Councillors during the preparation of the 2018-2028 Long Term Plan. Council decided to continue with the differential transition plan from 1 July 2018 so that from 1 July 2023 the business rate would be no more than 2.29 times (previously 2.3 times), greater than the rate of a residential property of the same value.

In the 2019 - 2020 Annual Plan the transition of differentials was:

Differential	2019/2020	2020/2021	2021/22	2022/23
Residential	1.00	1.00	1.00	1.00
Business Accommodation	2.51	2.44	2.37	2.29
Business Central	2.72	2.58	2.44	2.29
Business Suburban	2.63	2.52	2.41	2.29
Utility Networks	2.36	2.34	2.32	2.29
Rural	0.75	0.76	0.77	0.80

However, because of significant changes in the relative capital values in the 2019 rating valuation, the allocations of general rate based on the current policy would place an increased burden on residential properties. Based on the status quo the average Residential property would have an increase of \$167 per annum, while the average Business Central property would see a decrease of \$671 per annum. Therefore, the

Council changed the differentials for 2020-2021. These changes include a new differential category for the Queensgate Mall and are described in detail in the amended revenue and financing policy. A full review of the Revenue and Financing Policy will be completed as part of the LTP 2021-2031 which will determine the future differentials to be applied. In the interim for 2020-2021 Council will allocate the general rate using modified differentials to ensure the percentage of 2020/21 general rates collected from each of the categories used in 2019/20 is close to the same as the percentages of general rates collected in 2019/20. The general rate differentials based on capital values are:

## The differential categories and charges for the 2020-2021 year are as follows:

Category	Differential	Charge per \$ of capital value
Residential (RES)	1.000	0.248141 cents
Rural (RUR)	0.747	0.185440 cents
Business Accommodation (BUA)	2.687	0.666680 cents
Business Central (BUC)	2.946	0.731013 cents
Business Queensgate (BUQ)	3.165	0.785422 cents
Business Suburban (BUS)	2.614	0.648668 cents
Utility Networks (UTN)	2.803	0.695423 cents
Community Facilities 1 (CF1)	1.028	0.255142 cents
Community Facilities 2 (CF2)	0.497	0.123423 cents
Community Facilities 3 (CF3)	2.344	0.581715 cents

Note: Differential factors for the 2021-22 and the 2022-23 years have been removed from this table and will be developed as part of the 2021-2031 LTP.

## Summary of revenue required by differential group

Differential group	Total rates by category 2020-2021 \$000 gst inclusive	Proportion of total rates
Residential	96,204	71.5%
Rural	838	0.6%
Utility Networks	4,775	3.6%
Business:		
Accommodation	891	0.7%
Central	5,131	3.8%
Queensgate	1,907	1.4%
Suburban	23,358	17.3%
Community Facilities:		
1	1,056	0.8%
2	273	0.2%
3	152	0.1%
Total Rates Set	134,585	100%

## Summary of total revenue required from 2020-2021 rates

Rate	Amount (inclusive of GST) \$000	Amount (exclusive of GST) \$000
General Rate	90,458	78,659
Targeted Rates:		
Water Supply	19,919	17,321
Wastewater	22,511	19,575
Jackson Street	159	138
Recycling	1,538	1,337
Total Rate Revenue	134,585	117,030

Note: The total rate revenue includes rates charged on Council-owned properties, rate refunds and rate remissions.

## Rates instalment details

The rates above are payable in six equal instalments on the following dates:

Instalment Number	Due Date
One	20 August 2020
Two	20 October 2020
Three	21 December 2020
Four	22 February 2021
Five	20 April 2021
Six	21 June 2021

## Penalties on unpaid rates

The Council resolves, pursuant to sections 57 and 58 of the Local Government (Rating) Act 2002, except as stated below\*, that:

- A penalty of 10% will be added to the amount of any instalment remaining unpaid by the relevant due date above.
- A penalty of 10% will be added to the amount of any rates assessed in previous years remaining unpaid on 20 August 2020.
- A further penalty of 10% will be added to the amount of any rates to which a penalty has been added under b) above and which remain unpaid on 22 February 2021.

\*No penalty shall be added to any rate account if:

- A direct debit authority is in place for payment of the rates by regular weekly, fortnightly or monthly instalments, and payment in full is made by the end of the rating year.
- Any other satisfactory arrangement has been reached for payment of the current rates by regular instalments by the end of the rating year.

## Rating base

Based on the projected increase of 1% in the rating base each year, the following table shows the projected number of rating units in the city as at 30 June:

2020 (To May 2020)	Estimated 2021
42,260	42,364

## Examples of rates on a range of typical properties

The examples below show how a range of properties are affected by the rates for 2020 – 2021. The rateable values as at 1 July 2020 are indicative of the values as they currently stand as at May 2020.

Property category	2019-2020 rates		2020 - 2021 rates		
	Rateable value as at 1 July 2019 \$	At current rates \$	Rateable value as at 1 July 2020 \$	Rates \$	Change amount \$
Average Residential	\$476,000	\$2,477	\$625,042	\$2,599	\$122
Average Business Central	\$1,380,448	\$13,074	\$1,690,799	\$13,628	\$554
Average Business Queensgate	\$250,000,000	\$2,176,112	\$240,000,000	\$1,906,376	(\$269,736)
Average Business Suburban	\$1,222,386	\$11,361	\$1,625,545	\$11,812	\$451
Average Business Accommodation	\$2,387,286	\$22,561	\$3,127,121	\$24,711	\$2,150
Average Rural (no services)	\$650,932	\$1,548	\$867,386	\$1,608	\$60

Property category	Rateable values as at 1 July 2020	Rates \$
Community Facilities 1	663,118	3,478
Community Facilities 2	1,396,351	4,548
Community Facilities 3	3,371,667	28,406
Utilities	2,630,700	18,294
Residential	400,000	2,041
Residential	600,000	2,537
Residential	800,000	3,033
Residential	1,000,000	3,529
Residential	1,200,000	4,026
Business suburban	500,000	4,511
Business suburban	900,000	7,106
Business suburban	1,400,000	10,349

