

# **STATEMENT OF PROPOSAL**

## ***SUMMARY***

**Revenue & Financing Policy**

**Rating Policy**

**Rates Remission Policy**

**Rates Postponement Policy**



## Introduction

Many changes have taken place in Napier since the 1989 amalgamation with Hawke's Bay County Council. In contrast, certain parts of Napier's rating system haven't changed since that time.

The way properties are rated no longer reflects Napier's current residential, commercial and rural zones. The way we fund Council activities (such as the sewerage network, or the library) also no longer reflects how our city's services or facilities are used today.

So we are reviewing an important policy – the Revenue and Financing policy. Our proposed changes are about making sure that **similar properties pay similar rates**. Our proposals will also ensure that Council's activities are funded in a way that best reflects how they are used, that is, the extent to which a service should be funded through General Rates vs user pays.

Our proposed amendments will change how we calculate rates and will change the rates assessed on each individual property.

You can use the rates comparison tool on our website to compare your current rates calculation with how it might look if our proposals go ahead. Go to [www.napier.govt.nz](http://www.napier.govt.nz) keyword search #rates.

Our review of the Revenue and Financing Policy affects other policies too, so we are also reviewing the Rating Policy, Rates Remission Policy and Rates Postponement Policy. Our intention is to implement the proposed changes to the Revenue and Financing policy in conjunction with our Long Term Plan in the 2021-22 financial year.

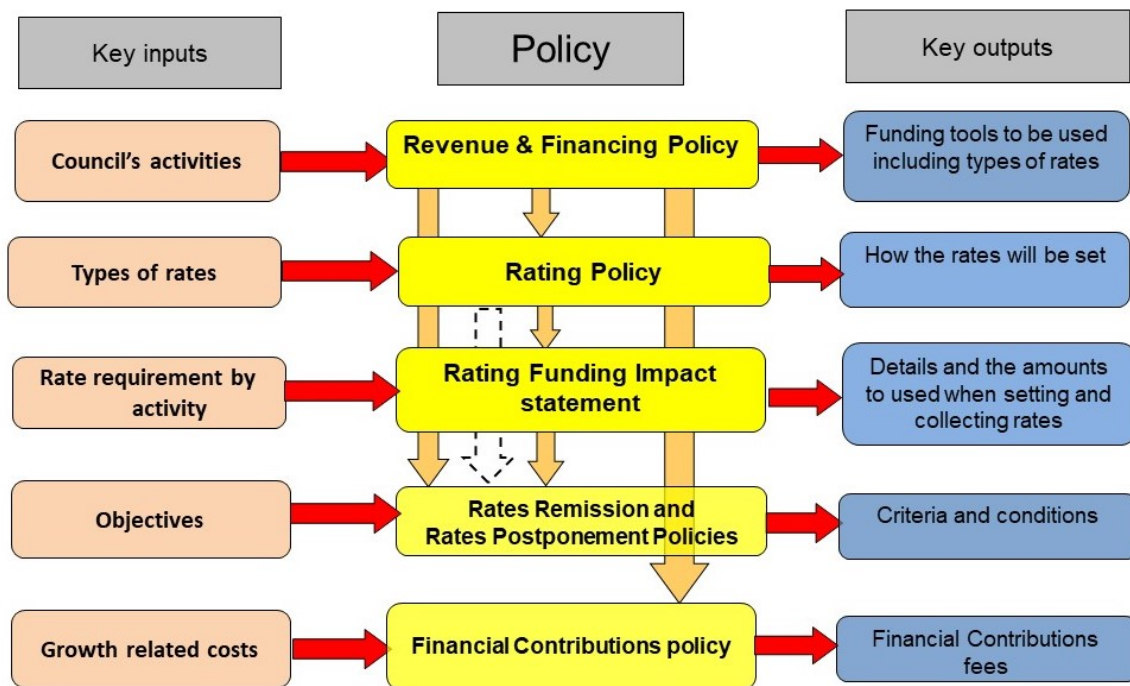
Also as part of our Long-term Plan consultation next year, we will consult further on the proposed changes to the Rating Policy and if necessary we may also consult on changes to the Revenue and Financing Policy.

## The purpose of this consultation

The purpose of this consultation is to hear from you about whether:

1. You agree with our proposed funding methods in the Revenue and Financing policy;
2. Our proposed changes to the differential categories for the general rate are appropriate and will provide us with a simpler and more consistent approach to rates;
3. Introducing a new Targeted Rate for Stormwater based on Capital Value is appropriate as part of our overall goal of sharing the rating burden between groups of properties;
4. Moving to wastewater charges based on the number of pans (toilets or urinals), is the best method to fund Napier's wastewater activity, rather than charging based on Separately Used or Inhabited Parts of a Rating Unit;
5. Our proposed changes to the Rates Remission and Rates Postponement policies are appropriate in helping us to achieve our overall goals of sharing the rating burden across different sectors of the community.

## How the policies fit together



## Next steps

Following our community consultation, we will collect and analyse data to examine the possible impacts of using the number of pans to charge for wastewater. We will also consider any proposed changes to budgets and activity funding when we prepare our draft Long-term Plan (LTP) for 2021-31.

We will then consult further on any further changes resulting from the impacts of introducing a pan charge and budget and funding changes as part of our LTP consultation. This may include a decision to delay the consultation or implementation of some of our proposed changes.

## Our proposed changes

### Proposed Revenue & Financing policy

#### General Rate

The General Rate consists of a percentage of every dollar of land value and a Uniform Annual General Charge (UAGC). The amount of the UAGC is set to ensure that the total amount of fixed rates (excluding water and wastewater rates) will be between 20% to 25% of total rates to be collected on a property.

We are also proposing changes to our definitions of the differential categories:

#### ***Residential and Other***

Any property that is not defined as Commercial & Industrial, or Rural.

## **Commercial & Industrial**

Any property that is in a commercial or industrial zone under the District Plan or used for any business activities, except properties categorised as rural. (Note – there is a proposed remission policy for those properties which are used for residential purposes within the commercial or industrial zones which have a complying building consent).

## **Rural**

Any Rating Unit with an area of 5 hectares or more that is used mainly for land based agricultural or farming activities and the value of improvements does not exceed the value of the land. (Note: there is a remission for Rating Units of less than 5 hectares that are used mainly for land based agriculture or farming activities).

## **Proposed Rating Policy**

### **Rating Basis**

Our current rating basis is a charge on a percentage of every dollar of land value. We are not proposing any change to this.

### **Differential Categories - General Rate**

We propose to reduce the number of differential categories from six to three.

<b>Current Differentials 2020/21</b>			<b>Proposed Differentials 2021/22</b>	
<b>City Residential</b>	100%	No change	<b>Residential / Other</b>	100%
<b>Commercial &amp; Industrial</b>	268.09%	Reduction of differential	<b>Commercial &amp; Industrial</b>	250%
<b>Miscellaneous</b>	100%	Those properties that are not defined as Commercial & Industrial are now included in Residential / Other		
<b>Ex-City Rural</b>	63.47%	Reallocated to either Residential / Other, Commercial & Industrial or Rural (based on size)	<b>Rural</b>	85%
<b>Other Rural</b>	63.47%			
<b>Bay View</b>	72.80%	Reallocated to either Residential / Other or Commercial & Industrial		

## Uniform Annual General Charge

The Uniform Annual General Charge (UAGC) is set to ensure that the total of fixed rates (excluding water and wastewater rates) will be between 20% to 25% of total rates to be collected on a property. We are not proposing any change to the UAGC.

## Targeted rates – new and changed

### **Stormwater rate**

This is a new rate based on differential capital value.

Previously, costs for Stormwater services were recovered from all ratepayers through their General Rate. We are proposing a new Differential Stormwater Rate to be based on Capital Value for all Residential and Commercial & Industrial properties within the recognised urban limit.

Commercial & Industrial properties will be charged a differential of 250% because of the density of development and the lack of permeable surface area compared with Residential properties.

Note that Rural properties will not be charged this rate.

### **Water rates**

#### *City Water Rate*

Currently, targeted rates are charged as a fixed amount to each Separately Used or Inhabited Part of a Rating Unit connected to or able to be connected to, Council's city water supply system.

*Proposed change* - Properties that are not connected but are within 100 metres of a water main would in future pay 70% of the connected rate. This is currently 50%.

#### *Fire Protection Rate*

Currently, a targeted rate is applied differentially based on the Capital Value of properties connected to, or able to be connected to, Council's water supply systems.

*Proposed change* - Properties that are not connected but are within 100 metres of a water main would in future pay 70% of the connected rate. This is currently 50%.

### **Sewerage Rates**

We are considering a **Wastewater Rate** with a differential rate based on the service provided and number of pans. This is proposed to replace the current Sewerage Targeted Rate.

*Considered change* - that a fixed rate be applied to each water closet or urinal (pan) within a property, rather than the existing approach of charging based on the number of Separately Used or Inhabited Parts of a Rating Unit. Rating Units used primarily as a residence for one household will be treated as having one pan.

Properties which are not connected but are within 30 metres of a wastewater main would in future pay 70% of the connected rate. This is currently 50%.

## ***Refuse Collection and Disposal Rate***

This is a Targeted Rate of a fixed amount charged differentially based on the service provided. We are proposing a minor change to reflect current practice for the Napier CBD area.

We are not proposing to change how the following rates will be calculated; however, the amounts could change:

- Water by Meter Charges –
- Bay View Sewerage Connection Rate
- Kerbside Recycling Rate
- CBD Off Street Car Parking Rate
- Taradale Off Street Car Parking Rate
- Suburban Off Street Car Parking Rate
- CBD Promotion Rate
- Taradale Promotion Rate
- Swimming Pool Safety Rate

## ***Separately Used or Inhabited Parts of a Rating Unit Definition***

*Any part of a Rating Unit that is, or is able to be, separately used or inhabited by the owner or by any other person or body having the right to use or inhabit that part by virtue of a tenancy, lease, licence or other agreement.*

Proposed change - We are proposing to include all properties, including residential properties where there is more than one dwelling used by the same family unit. However, we are proposing an amendment to the Rates Remission Policy to enable family units to apply for a remission.

## **Proposed Rates Remission Policy**

### **Proposed for inclusion**

#### ***Remission for Farmland Under 5 Hectares***

This remission provides rates relief for Rating Units of less than 5 hectares that are used mainly for land based agriculture or farming activities. We are proposing that Non-commercial Rating Units where the land area is less than 5 hectares be treated as Residential for differential rating purposes. This remission will reduce the amount of General Rates payable to equal that which is payable for a rural property of the same value.

#### ***Remission of Refuse Collection and/or Kerbside Recycling Targeted Rates***

This amendment recognises ratepayers who consistently reduce their use of the waste or recycling service by allowing them to apply for a remission.

#### ***Remission for Residential Properties Used Solely as a Single Residence***

We are proposing a remission for properties that have separately used or inhabited portions, but are used solely as a single family residence. This amendment is to simplify

and replace Remission of Uniform Annual General Charges (UAGC) and Targeted Rates of a Fixed Amount on Rating Units Owned by the Same Owner.

### Proposed for removal

#### ***Remission for Land Subject to Special Preservation Conditions***

In practice, this remission provides limited benefit to applicants. At the time of writing, only one remission was in place under this provision. Additional rates relief can be sought through Schedule 1, Parts 1 and 2 of the Local Government (Rating) Act 2002.

#### ***Remission of Uniform Annual General Charges (UAGC) and Targeted Rates of a Fixed Amount on Rating Units Owned by the Same Owner***

We are recommending that this provision be replaced by Remission for Residential Properties Used Solely as a Single Residence as described above.

### Proposed Rates Postponement Policy

To align the Rates Postponement Policy with our proposed amendments to the Revenue & Financing Policy, we propose that the Postponement for Farmland is removed.

## Glossary & Definitions

### Activity

This describes the service or facility managed by Council for the benefit of the public. Activity can describe a single resource (such as the MTG) or a group of resources (such as public toilets).

### Capital Value

A form of Government valuation on property, the Capital Value (CV) includes the value of the land and improvements (e.g. building) on that property. CVs are used to calculate some parts of your rates invoice (such as Fire Protection). See also Land Value. Please refer to s.5, Local Government (Rating) Act 2002 for further details.

### Differential Categories

Differentials are the characteristics used by Council to differentiate between groups of properties. Differentials determine what percentage of the General Rate, or Targeted Rates are applied to each property. Differentials can be grouped by any number of characteristics such as how the land is used, how the land is defined within the District Plan, the size of the land, where the land is located, services available to the land, the Capital Value or Land Value. Please refer to Schedule 2, Local Government (Rating) Act 2002 for further details.

### General Rate

The General Rate is a rate applied all rateable land within the district. For Napier, the amount of General Rate paid is determined by the Differential applied to the property and



the assessed Land Value. See also Land Value and Differential Categories. Please refer to s.13, Local Government (Rating) Act 2002 for further details. Part of the General Rate funding requirement is charged as a uniform amount through the Uniform Annual General Charge (UAGC). See below.

### Land Value

A form of Government valuation on property, the Land Value (LV) is the assessable value of the land only, and does not include improvements (e.g. building) on that property. Land Value forms a part of the total Capital Value. LVs are used to calculate your General Rate. See also Capital Value. Please refer to s.5, Local Government (Rating) Act 2002 for further details.

### Service

Service is a term broadly used to describe resources or facilities provided by Napier City Council to properties within the district. Rubbish removal and the sewerage network are two examples of services provided.

### Targeted Rate

Unlike the General Rate, Targeted Rates are charged for specific services provided to a property (e.g. water or rubbish collection). Targeted Rates may be based on a fixed charge for the service or based on a valuation of the property (e.g. Capital Value for Fire Protection). Please refer to ss.16-19, Local Government (Rating) Act 2002 for further details.

### UAGC

Uniform Annual General Charge (UAGC) is a fixed amount charged for each Separately Used or Inhabited Part of a Rating Unit. This recovers part of the overall funding requirement for the General Rate. Please refer to s.15, Local Government (Rating) Act 2002 for further details.