



# FUNDING IMPACT STATEMENT (RATES)

June 2020



**NAPIER**  
CITY COUNCIL  
*Te Kaunihera o Ahuriri*

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## Funding Impact Statement Financial Summary

The Whole of Council Funding Impact Statement showing the sources of funding and how the funding is applied is included on page 47 of the Draft Financial Information document supporting the 2020-21 Annual Plan consultation document.

## Rating System

The proposed rating system to apply from 1 July 2020 is as follows:

### General Rate

The General Rate funds the balance of the cost of all council activities after allowing for revenue proposed to be collected from the Uniform Annual General Charge and all targeted rates.

- The General Rate is based on the land value of all rateable land in the city's rating area.
- The General Rate is charged on a differential basis. The differentials applying for 2020-21 are calculated to enable:
  - 70% of the total general rate together with the Uniform Annual General Charge to be collected from residential properties and 30% from non-residential properties.
  - Residential properties includes those properties used primarily for residential purposes and included under differential codes 1 and 6. All other properties are considered to be non-residential for the purpose of apportioning and collecting the share of general rates.
  - The recovery of the assessed actual costs of services supplied to rural properties, excluding those in the Bay View Differential Rating Area (based on an assessment completed in December 2017).
  - The calculation of the rate for properties in the Bay View Differential Rating Area based on a comparison with other residential properties in Napier City, with an adjustment to reflect the assessed actual cost of transportation services supplied to Bay View.
  - The application of the same rate for miscellaneous non-residential properties as for residential properties.
  - The following are the differentials to be applied based on the land value of properties in each differential category.

Differentials	Group/Code	2019/20	Rate per \$ or Land Value
City Residential	1	100%	0.0052388
Commercial and Industrial	2	268.09%	0.0140448
Miscellaneous	3	100%	0.0052388
Ex-City Rural	4	63.47%	0.0033251
Other Rural	5	63.47%	0.0033251
Bay View	6	72.80%	0.0038139

The purpose of the differentials applied to the general rate is to ensure that the amount payable by groups of ratepayers reflects Council's assessment of the relative benefit received and share of costs those groups of ratepayers should bear based on the principles outlined in the Revenue and Financing Policy and the residential/non-residential apportionment assessment which is updated in conjunction with each city revaluation.

## Uniform Annual General Charge

Council's Uniform Annual General Charge is set at a level that enables all Targeted Rates that are set on a uniform basis as a fixed amount, excluding those related to Water Supply and Sewage Disposal, to recover about 20% of total rates.

The proposed Uniform Annual General Charge for 2020-21 is \$375.00

The charge is applied to each separately used or inhabited part of a rating unit.<sup>1</sup>

## Fire Protection Rate

This rate recovers 13.24% of the net costs of the water supply systems before the deduction of water by meter income.

The Fire protection targeted rate is based on the Capital Value of properties connected to, or able to be connected to, the Napier City Council water supply systems.

This rate is differentially applied, in recognition that the carrying capacity of water required in the reticulation system to protect commercial and industrial properties is greater than that required for residential properties. The rate is further differentiated where a property is not connected but is within 100 metres of a water supply system. 50% of the base rate for each differentiated category applies for each property not connected but located within 100 metres of the systems.

Differentials	Connected (%)	Rate in \$	Not connected but within 100m (%)	Rate per \$ of Capital Value
Central Business District and Fringe Area	400%	0.0002690	200%	0.0001345
Suburban Shopping Centres, Hotels and Motels and Industrial rating units outside of the CBD	200%	0.0001345	100%	0.0000672
Other rating units connected to or able to be connected to the water supply systems	100%	0.0000672	50%	0.0000336

## City Water Rate and Bay View Water Rate

These rates recover the balance of the total net cost of the water supply systems after allowing for revenue collected from the Fire Protection Targeted Rate and the Water by Meter targeted rate.

The targeted rates are differentially applied and are a fixed amount set on a uniform basis, applied to each separately used or inhabited part of a rating unit connected to or able to be connected to, the Council's City and Bay View water supply systems.

The differential categories for the proposed water rates (City and Bay View) are:

- Connected – any rating unit that is connected to a Council system
- Service available – any rating unit that is not connected to a Council system but is within 100 metres of such system (charged 50% of the targeted rate for connected properties)

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<sup>1</sup> Please refer to the definition of a separately used or inhabited part of a rating unit that appears before the description of differential categories.

Differentials	Connected (%)	Rate (per SUIP)	Not connected but within 100m (%)	Rate (per SUIP)
Rating units connected to or able to be connected to the City and Bay View Water Supply Systems	100%	\$236.00	50%	\$165.20

### Refuse Collection and Disposal Rate

This rate recovers the net cost of the Solid Waste Activity, excluding costs related to litter control and the kerbside recycling collection service.

The Refuse Collection and Disposal targeted rate of a fixed amount is set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit for which a rubbish collection service is available and is multiplied by number of times each week the service is provided. Rating units which Council officers determine are unable to practically receive the Council service and have an approved alternative service will be charged the waste service charge that excludes the approved alternative service.

The proposed rate for 2020-21 is \$130.00

### Kerbside Recycling Rate

This rate recovers the net cost of the kerbside recycling collection service.

The Kerbside Recycling targeted rate of a fixed amount is set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit for which the kerbside recycling collection service is available. Rating units which Council officers determine are unable to practically receive the Council service and have an approved alternative service will be charged the waste service charge that excludes the approved alternative service.

The proposed rate for 2020-21 is \$70.00

### Sewerage Rate

This rate recovers the net cost of the Wastewater Activity.

The Sewerage targeted rate is applied differentially as a fixed amount and is set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit connected to, or able to be connected to, the City Sewerage System.

A differential of 50% of the rate applies to each rating unit (excluding Bay View properties) not connected but located within 30 metres of the system.

Differentials	Connected (%)	Rate (per SUIP)	Not connected but within 30m (%)	Rate (per SUIP)
Rating units connected to or able to be connected to the City Sewerage Systems (all properties excluding Bay View)	100%	\$399.00	50%	\$199.50
Rating units connected to or able to be connected to Bay View Sewerage Scheme	100%	\$399.00	0%	\$0

**Bay View Sewerage Connection Rate**

The Bay View Sewerage Scheme involves reticulation and pipeline connection to the City Sewerage System. Prior to 1 November 2005, property owners could elect to connect either under a lump sum payment option, or by way of a targeted rate payable over 20 years.

The Bay View Sewerage Connection targeted rate is a fixed amount set on a uniform basis. It is applied to each separately used or inhabited part of a rating unit connected to the Bay View Sewerage Scheme, where the lump sum payment option was not elected.

The rate applies from 1 July following the date of connection for a period of 20 years, or until such time as a lump sum payment for the cost of connection is made.

The category of rateable land for setting the targeted rate is defined as the provision of a service to those properties that are connected to the sewerage system, but have not paid the lump sum connection fee.

The liability for the targeted rate is calculated as a fixed amount per separately used or inhabited part of a rating unit based on the provision of a service by the Council, including any conditions that apply to the provision of the service.

The rate is used to recover loan servicing costs required to finance the cost of connection to the Bay View Sewerage Scheme for properties connecting under the targeted rate payment option.

The proposed rate for 2020-21 is \$941.35

**CBD Off Street Car Parking Rate**

This rate is used to provide additional off street car parking in the Central Business District.

Those commercial rating units in the mapped areas identified as the Central Business District Off Street Car Parking 100% and 50% Parking Dispensation areas are charged the CBD Off Street Parking targeted rate based on land value. This rate is set on a differential basis as follows:

Differentials	%	Rate per \$ of Land Value
Properties where council provides additional parking due to the property receiving a 100% parking dispensation	100%	0.0014948
Properties where council provides additional parking due to the property receiving a 50% parking dispensation.	50%	0.0007474

Refer Council maps:

- CBD Off Street Car Parking – 100% Parking Dispensation Area
- CBD Off Street Car Parking – 50% Parking Dispensation Area

**Taradale Off Street Car Parking Rate**

This rate is used to provide additional off street car parking in the Taradale Suburban Commercial area.

Those properties in the Taradale Suburban Commercial area only are charged the Taradale Off Street Parking targeted rate based on land value and set on a uniform basis.

The proposed rate for 2020-21 is \$0.0011158 per \$ of land value.



### Suburban Shopping Centre Off Street Car Parking Rate

This rate is used to provide additional off street car parking at each of these areas served by Council supplied off street car parking, and to maintain the existing off street car parking areas.

Those properties in suburban shopping centres and those commercial properties located in residential areas which are served by Council supplied off street car parking are charged the Suburban Shopping Centre Off Street Parking targeted rate based on land value and set on a uniform basis.

The proposed rate for 2020-21 is \$0.0011158 per \$ of land value.

### CBD Promotion Rate

This rate recovers at least 70% of the cost of the promotional activities run by Napier City Business Inc. The remainder is met from general rates to reflect the wider community benefit of promoting the CBD to realise its full economic potential.

Each commercial and industrial rating unit situated within the area as defined on Council map "CBD Promotion Rate Area" are charged the CBD Promotion targeted rate based on land value and set on a uniform basis.

The proposed rate for 2020-21 is \$0.0021794 per \$ of land value.

### Taradale Promotion Rate

This rate recovers the full cost of the Taradale Marketing Association's promotional activities.

All rating units in the Taradale Suburban Commercial area are charged the Taradale Promotion targeted rate based on land value and set on a uniform basis.

The proposed rate for 2020-21 is \$0.0024244 per \$ of land value.

### Swimming Pool Safety Rate

This rate recovers the cost of pool inspections and related costs to ensure owners meet the legal requirements of the Building Act 2004 and Building (Pools) Amendment Act 2016. A targeted rate of a fixed amount set on a uniform basis, applied to each rating unit where a residential pool or small heated pool (within the meaning of the Building (Pools) Amendment Act 2016) is subject to a 3 yearly pool inspection.

The proposed rate for 2020-21 is \$52.00 per rating unit.

### Water by Meter Charges

This rate applies to all with a water meter and is charged based on a scale of charges as shown on the schedule of indicative rates each year.

Where any rating unit is suspected to have above average water usage Council officers may require that a water meter is installed and excess usage is charged based the water by meter targeted rate.

The rate based on actual water use above the first 300m3 per annum will be charged to metered properties to which this rate applies.

The proposed rates for 2020-21 are:

Napier City	\$0.58259 per m3
Bay View and other supplies outside city boundary	\$1.08104 per m3

### Targeted Rates Note:

For the purposes of Schedule 10, clause 15(4)(e) or clause 20(4)(e) of the Local Government Act 2002, lump sum contributions will not be invited in respect of targeted rates, unless this is provided within the description of a particular targeted rate.

## Separately used or inhabited parts of a Rating Unit definition

### Definition

For the purposes of the Uniform Annual General Charge and all uniform (or fixed value) Targeted Rates outlined above, a separately used or inhabited part of a rating unit is defined as:

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 (SUIP does not apply to properties that are used solely as a single family residence)

This definition includes separately used parts, whether or not actually occupied at any particular time, which are provided by the owner for rental (or other forms of occupation) on an occasional or long term basis by someone other than the owner.

### Examples of separately used or inhabited parts of a rating unit include:

For residential rating units, each self contained area is considered a separately used or inhabited part, unless used solely as a single family residence. Each situation is assessed on its merits, but factors considered in determining whether an area is self contained would include the provision of independent facilities such as cooking / kitchen or bathroom, and its own separate entrance.

Residential properties, where a separate area that is available to be used as an area independent to the rest of the dwelling is used for the purpose of operating a business, such as a professional practice, dedicated shop\display area or trade workshop. The business area is considered a separately used or inhabited part.

For commercial or industrial properties, two or more different businesses operating from or making separate use of the different parts of the rating unit. Each separate business is considered a separately used or inhabited part. A degree of common area would not necessarily negate the separate parts.

These examples are not inclusive of all situations.

## Description of Differential Categories – General Rate

### GROUP 1: City Residential Properties

Every rating unit used exclusively or predominantly as a home or residence of one or more households, and also including all vacant utilisable residential land, but excluding properties classified under Differential Groups 5 and 6.

### GROUP 2: Commercial and Industrial Properties

Every rating unit used exclusively or predominantly for commercial and industrial purposes within the Napier City Council boundaries, other than properties in differential groups 5 and 6, but including but not limited to



- All commercial properties, including retail shops, professional offices, doctors surgeries, dental surgeries, veterinary clinics, garages, service stations and the like, not elsewhere described.
- All properties used for industrial purposes
- All Hotels and Motels including those situated in residential and industrially zoned areas

### **GROUP 3: Miscellaneous Properties**

Every rating unit, not separately classified under groups 2,3,4,5 or 6, but including Homes for the Elderly, Private Hospitals and Public Utilities.

### **GROUP 4: Ex-City Rural Areas**

Every rating unit, which is situated in an area not provided with normal city services, and which is not capable of development because of the lack of city services, but excluding properties in differential group 5.

### **GROUP 5: Other Rural Areas**

Every rating unit, formerly within the Hawke's Bay County, but which became part of Napier City with effect from 1 November 1989 following Local Government Reform, except for those properties included in Group 6, or any property reclassified to other Differential Groups.

### **GROUP 6: Bay View Differential Rating Area**

Every rating unit falling within the Bay View Differential Rating Area as defined on Council map "Bay View Differential Rating Area – Schedules 1,2,3".

Notes on allocation of properties into differential categories

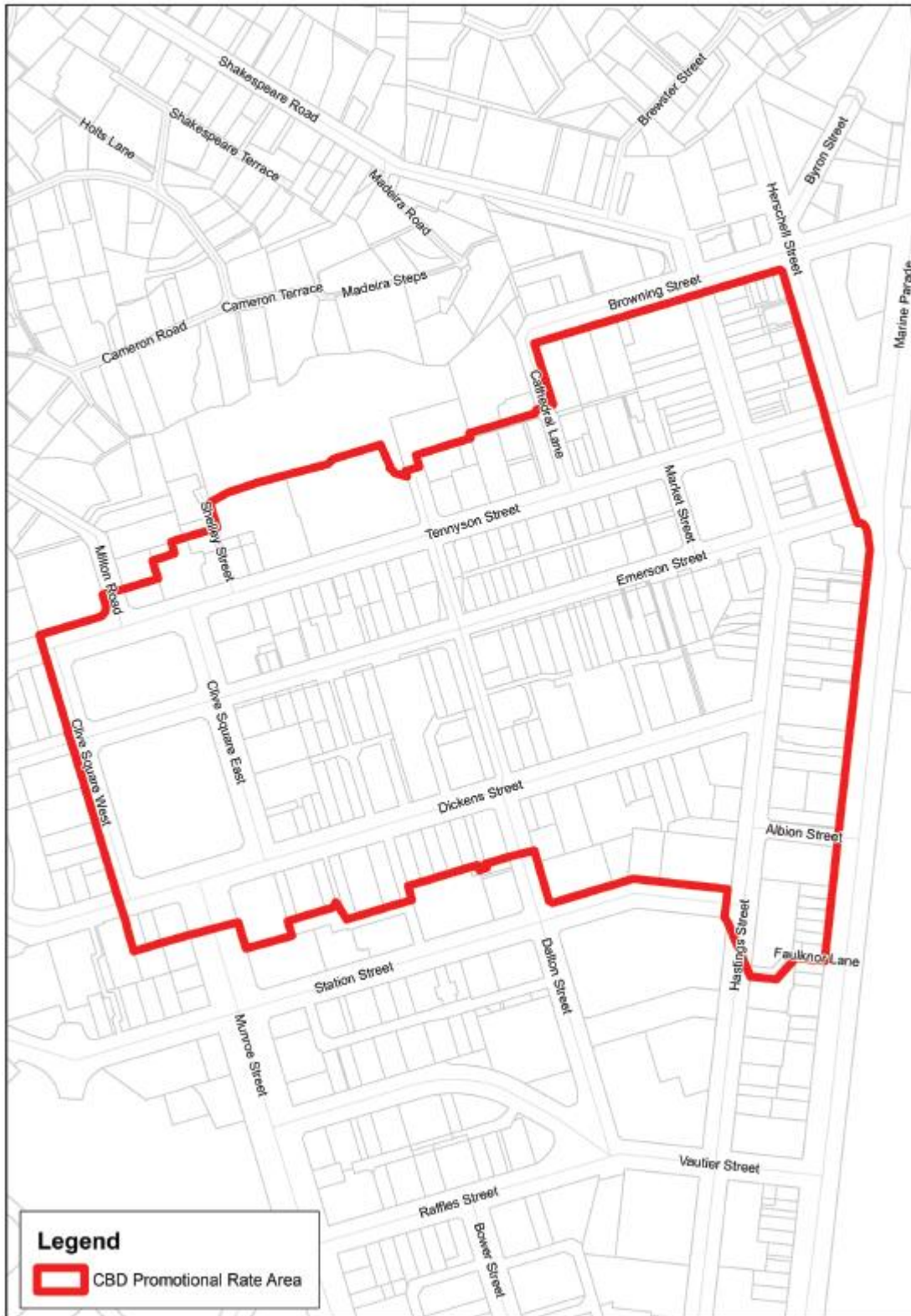
- i. Rating units which have no apparent land use (or are vacant properties) will be placed in the category which best suits the zoning of the property under the district plan except where the size or characteristic of the property suggest an alternative use.
- ii. To avoid doubt where a rating unit has more than one use more than one use the relevant predominant use will be used to determine the category.
- iii. Subject to the right of objection as set out in Section 29 of the Local Government (Rating) Act 2002, it shall be at the sole discretion of the Council to determine the use or predominant use of all separately rateable properties in the district.

## **Council Maps**

- CBD Promotion Rate Area
- CBD Off Street Car Parking – 100% Parking Dispensation Area
- CBD Off Street Car Parking – 50% Parking Dispensation Area
- Bay View Differential Rating Area – Schedules 1,2,3

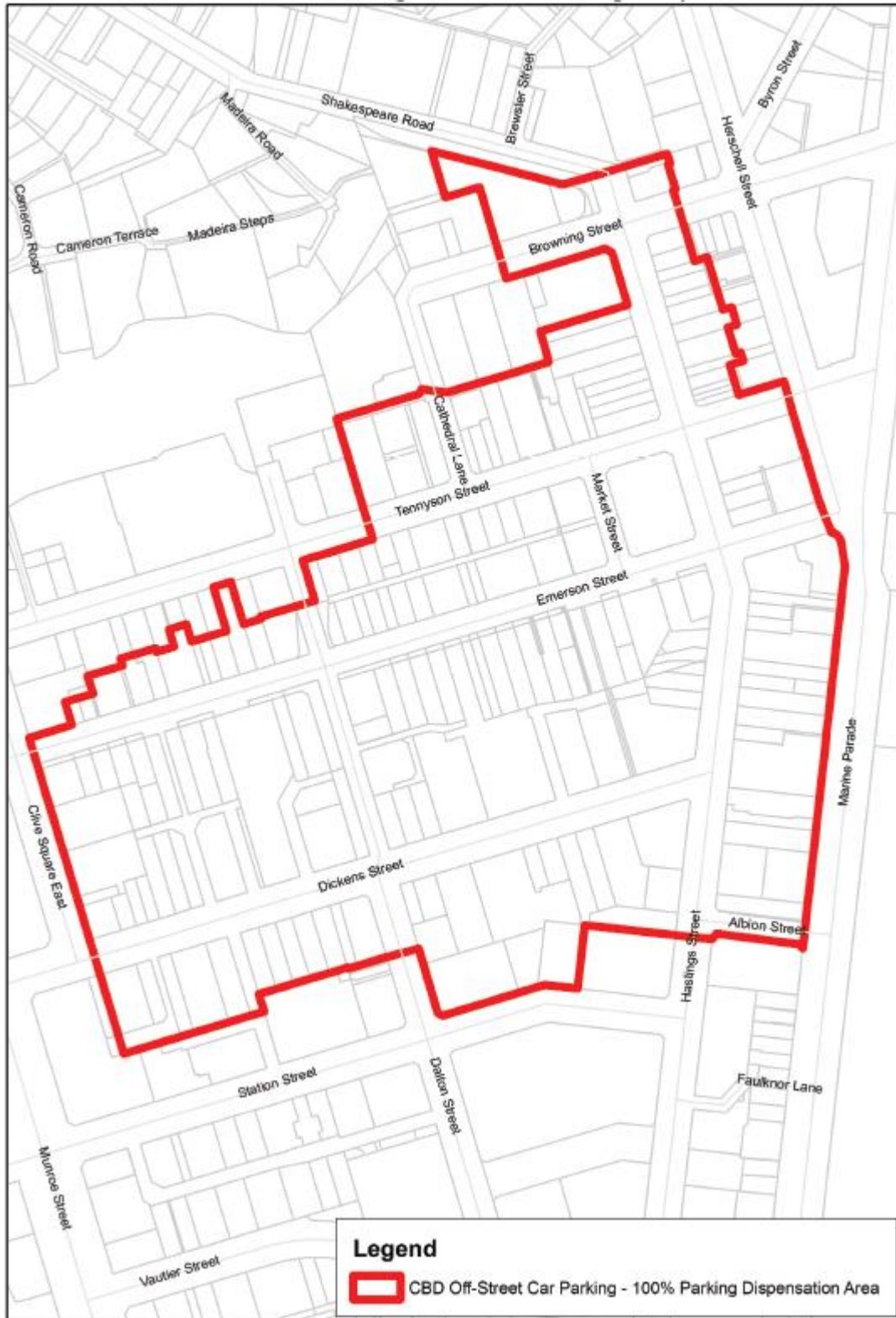
# Council Maps

## CBD Promotion Rate Area



# Council Maps

## CBD Off Street Car Parking - 100% Parking Dispensation Area



## CBD Off Street Car Parking - 50% Parking Dispensation Area





# Council Maps

## Bay View Differential Rating Area - Schedules 1,2,3



## Other Rating Matters

### Due Dates for Payment and Additional Charges for Late payment of Rates

Rates for 2020-21 are set and assessed effective from Instalment 1 and are due and payable in four equal instalments. Due to the effects of the covid-19 pandemic Council has reduced the penalty usually applicable to any rates not paid by the due date of instalments 1 and 2.

A penalty of 3.5% will be added to any portion of rates assessed and payable in Instalments 1 and 2 in the current year which remains unpaid by the relevant instalment due date, on the respective penalty date below:

Instalment	Due Date	Penalty date
1	23 September 2020	28 September 2020
2	18 November 2020	23 November 2020

A penalty of 10% will be added to any portion of rates assessed and payable in Instalments 3 and 4 in the current year which remains unpaid by the relevant instalment due date, on the respective penalty date below:

Instalment	Due Date	Penalty date
3	17 February 2021	22 February 2021
4	19 May 2021	24 May 2021

Any portion of rates assessed in previous years (including previously applied penalties) which are unpaid on 30 July 2020 will have a further 10% added, firstly on 31 July 2020, and if still unpaid, again on 31 January 2021.

All rates payments made will be allocated to the oldest debt.

### Due dates and Additional Charges for Late Payment - Water by Meter

Targeted rates for metered water supply are separately invoiced; either quarterly in September, December, March and June for non-domestic supplies, or annually in June for metered domestic supplies.

Instalment	3 monthly invoicing Due Date	Penalty date
1	20 July 2020	22 July 2020
2	20 October 2020	22 October 2020
3	20 January 2021	21 January 2021
4	20 April 2021	24 May 2021
Period Ending	Annual invoicing Due Date	Penalty date
30 June 2020	20 July 2020	22 July 2020
30 June 2021	20 July 2021	21 July 2021

A penalty of 10% will be added to any portion of water supplied by meter, assessed in the current year, which remains unpaid by the relevant instalment due date, on the respective penalty date above.



Any portion of water rates assessed in previous years (including previously applied penalties) which are unpaid on 30 July 2020 will have a further 10% added, firstly on 31 July 2020, and if still unpaid, again on 31 January 2021.

Any water payments made will be allocated to the oldest debt.

## Examples of Proposed Rates for 2020/21

City Residential	Land Value \$	Rates 2019/20 \$	Rates 2020/21 \$	Annual Change Refuse & Recycling \$	Annual Change Water & Sewer \$	Annual Change - All other rates \$	Weekly change \$	Change %
Average	214,000	2,239	2,362	59	42	22	2.37	5.5%
Median	200,000	2,163	2,285	59	42	21	2.35	5.7%
Quartile 1	160,000	1,952	2,071	59	42	18	2.30	6.1%
Quartile 3	250,000	2,430	2,556	59	42	25	2.42	5.2%
<b>Commercial / Industrial</b>								
Average	490,000	8,100	8,304	94	42	67	3.91	2.5%
CBD Average	291,000	6,544	6,806	141	42	79	5.04	4.0%
Industrial Average	563,000	9,122	9,333	94	42	75	4.07	2.3%
<b>Miscellaneous Properties</b>								
Average - no recycling	400,000	3,187	3,313	47	42	37	2.42	3.9%
<b>Rural</b>								
Average	460,000	2,042	2,105	59	0	3	1.20	3.0%
<b>Bay View</b>								
Average - no sewerage	248,000	1,707	1,796	59	15	14	1.70	5.2%
Average - with sewerage	248,000	2,079	2,195	59	42	14	2.22	5.5%

Please note:

- Council's total rates revenue for 2020/21 will increase by 6% which is an average increase of 4.8% for existing properties after an allowance of 1.2% is made for extra separately used or inhabited parts of a rating unit, and new properties added since last year.
- Many residential properties have a slightly higher percentage increase due to the introduction of the new kerbside rubbish collection service.

## Rating Base Information

As at 30 June 2020	All Rating Units	Ratable Units
Number of Rating Units	26,099	25,720
Capital value of Rating Units \$	15,394,000,000	14,800,000,000
Land value of Rating Units \$	6,652,000,000	6,480,000,000