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## Rating Policy

### Purpose and scope

1. To assist in setting rates as specified within the requirements of the Local Government Act 2002 (LGA) and the Local Government (Rating) Act 2002 (LGRA).
2. This Policy is to be read in conjunction with the Revenue and Financing Policy, Rates Remission and Postponement Policy and Funding Impact Statement.
3. Council must complete the following to set a lawful rate.
  - a. s.101(3) analysis (see Funding Needs Analysis).
  - b. Adopt a Revenue and Financing Policy (see the 10-Year Plan)
  - c. Adopt a Funding Impact Statement (see either an Annual or 10-Year Plan).
  - d. Adopt an Annual or 10-Year Plan.
  - e. Adopt a rates resolution consistent with everything above.

### Policy

4. 2018/19 represents the first year of the 2018-28 10-Year Plan. Several changes to Council's Rating system are proposed, with the intention that these represent the most appropriate rates options to address the present and future needs of the City.
5. These changes include:
  - General rate move to 100% Capital Value - ending the Land Value to Capital Value transition earlier
  - introduction of a \$500 Uniform Annual General Charge (UAGC)
  - change how rural properties are rated
  - continuing the Hamilton Gardens rate.

### General Rate

6. The General rate is set on Capital Value (differentially) and the UAGC is set per separately used or inhabited part of a rating unit (SUIP).
7. The General rates provide for the majority of the total rate requirement of Council.
8. The General rate definitions apply for the purposes of all rates within this policy.

## Description of differentials

9. The General rate is set differentially on the matters as prescribed in Schedule 2 of the LGRA, and as listed in the Funding Impact Statement.
10. The LGRA Schedule 2 allows councils to set its general rate based on each of these matters.

## General Rate differentials

11. Rating units assessed for the General Rate are categorised into one of four differential categories:
  - Commercial
  - BID Commercial
  - Other
  - Residential
12. These differential categories are defined as follows:

**Table 1: General Rate rating categories**

GENERAL RATE CATEGORY	DESCRIPTION
<b>Commercial</b>	All rating units: <ol style="list-style-type: none"><li>i. Used solely or principally for commercial or industrial purposes; or</li><li>ii. Used solely or principally for commercial residential purposes, including, but not limited to, hotels, boarding houses, rest homes, motels, residential clubs, hostels. Commercial residential purposes are where a property is being provided for residential accommodation at a fee with the average occupancy period of the property not exceeding three months; or</li><li>iii. The area of a chartered club used for the restaurant, bar and gaming machines; or</li><li>iv. The commercial portion of a rating unit which has mixed use; or</li><li>v. Land developed or under development for a commercial use; or</li><li>vi. Land where a commercial development is marketed for sale or lease, but where works have not yet commenced, whether or not wastewater services are currently available; or</li><li>vii. Vacant land located in any District Plan zone that is predominantly used for Commercial or industrial purposes; or</li><li>viii. Show homes; or</li><li>ix. Utility Networks.</li></ol>
<b>BID Commercial</b>	All rating units that meet the definition of Commercial above and are located within the Business Improvement District as shown on the Business Improvement District (BID) and Central City areas map in Schedule one of the Rating Policy.
<b>Other</b>	All rating units that do not meet the definition of Commercial or BID Commercial rating categories and where: <ol style="list-style-type: none"><li>i. Connection to Council's wastewater network is not available; and</li><li>ii. Water supply is through a metered connection, or connection to Council's water network is not available.</li></ol>
<b>Residential</b>	All rating units that do not meet the definition of Commercial, BID Commercial, or Other rating categories, or: <ol style="list-style-type: none"><li>i. Land under development intended for a residential use, or</li><li>ii. Land where a proposed residential development is marketed for sale, whether or not water and wastewater services are currently available.</li></ol>

## Intention of Category Definitions and Guidelines

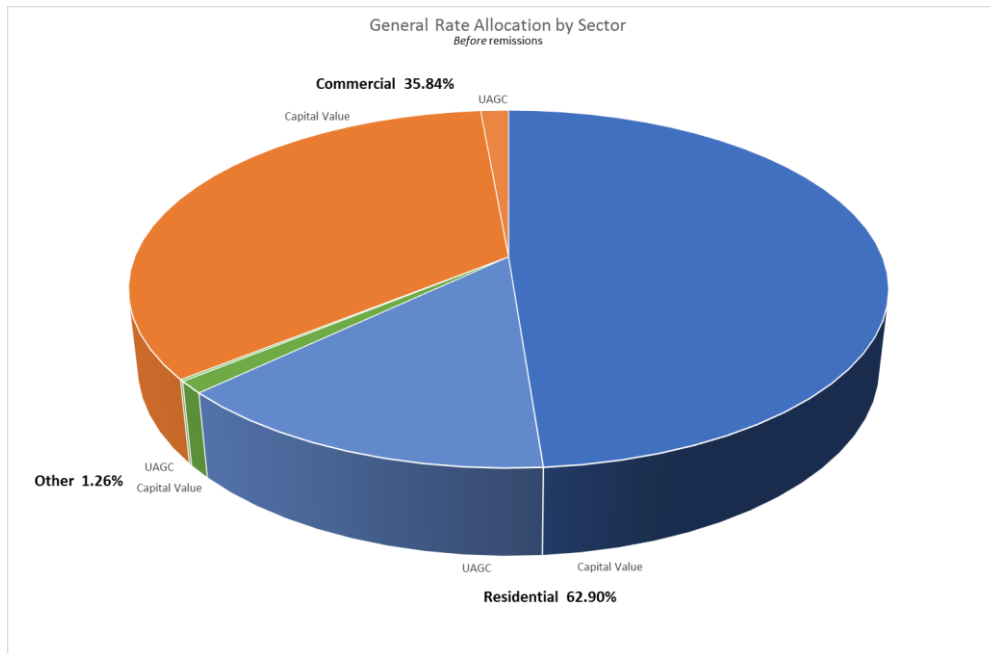
13. The Commercial and BID Commercial rating categories are predominantly based on the use of the rating unit.
14. The General rate for Commercial and BID Commercial rating categories does not include recovery of costs for the provision of water and rubbish & recycling collection.
15. The Other rating category is for those rating units which do not meet the definition of Commercial or BID Commercial and are not connected, or are unable to be connected, to both Council's water (ordinary supply) and wastewater networks.
16. Generally, the properties in the Other category will have water supplied via a water meter.
17. Primarily the Other category is land which is zoned to allow for future development. Often this land is used for lifestyle or rural purposes.
18. The Residential category incorporates all rating units not allocated to the Commercial, BID Commercial, or Other categories.
19. Generally, the properties within the Residential category will be connected to Council's water network (ordinary supply), wastewater network, and receive a rubbish & recycling collection.
20. Often as part of a subdivision and development, part of the developed land may be designated to Council, which occurs when new titles are issued, and is generally upon completion of subdivision works. When assigning differential categories of a rating unit, divisions will not be undertaken for this reason, as this is simply deemed as part of the process of developing land.
21. An allocation for stormwater is incorporated as part of the general rate within all rating categories. Although it is understood that individual properties manage stormwater in different ways, the contribution provides for the management of stormwater services throughout the city.
22. Where the Rating Information Database (RID) identifies a rating unit has more than 1 SUIP it does not imply or represent that a rating unit is getting more than 1 supply of any service.

## Differential Category Rate calculations

23. Revenue allocations between rating sectors were determined in 2014 as part of the 2014/15 rating review, where Council adopted transitioning the General rate from Land Value to Capital Value.
24. As a result, the allocation of rates from that point has been set by maintaining these percentage yields within the three rating sectors (Commercial, Residential and Rural (now Other)) not by a specific cost allocation method.
25. For the purpose of the allocation, the BID Commercial rating category is included within the Commercial rating sector.
26. The percentage sector yield contribution acts as the starting point for calculating rates from 2018/19. Rating growth is then applied which will have the effect of naturally adjusting the sector yield allocations.
27. Considering the overall impacts as a result of a direct move of the general rate to full Capital Value from 2018/19, and the introduction of a UAGC, Council has chosen this as the appropriate model for the allocation.

28. The allocation of cost to each of these differential categories is as follows for 2018/19:

**Figure 1: General Rate allocation model**



29. The Other rating category General rate is calculated based on the Residential category rate less an appropriate adjustment for wastewater services and ordinary water supply not provided.

### Uniform Annual General Charge

30. A portion of the General rate is assessed as a UAGC. This is set as a fixed amount per SUIP (as defined within the Funding Impact statement). The UAGC modifies the impact of rating on a city-wide basis.
31. The rationale for setting the UAGC is documented in the Revenue and Financing Policy.
32. The UAGC is not a direct allocation of any services. This is not adjusted where any service, including water, wastewater or refuse is not provided.

### Targeted Rates

#### Hamilton Gardens

33. This rate is set and assessed on all rateable property as a fixed amount per SUIP.
34. This rate was introduced in 2014/15 as Council's contribution towards delivering new themed gardens within the Hamilton Gardens. Council's contribution was one third of the projected total cost of the initial project.
35. When first established this targeted rate was intended to end in 2018. With the extension of the development programme in the 2018-28 10-year Plan, Council is proposing to retain the rate in order to contribute to the funding for the development and maintenance of themed gardens as part of the Hamilton Gardens activity.

## Business Improvement District (BID)

36. This rate is set and assessed on all rating units defined within the BID Commercial General rate category and comprises both a fixed amount per SUIP and a rate in the dollar based on the Capital Value.
37. The targeted rate is adjusted annually by the inflation rate adopted by the Council.
38. The BID and Central City map is shown on Schedule 1 of this policy Rating Maps.
39. The purpose of this rate is to support the central city development as is defined within the BID Policy.

## Central City

**This rate was introduced in 2017 and is operating under a trial for review in April 2018.**

40. This rate is set and assessed on all rating units defined within the BID Commercial general rate category and is set as a fixed amount per separately used or inhabited part of a rating unit.
41. The BID and Central City map is shown on Schedule 1 of this policy Rating Maps.
42. This rate provides funding to the transportation network activity.

## Services Category

43. Services Category includes rating units that are defined by the use, for the purpose of charging water, wastewater and rubbish & recycling collection, set and assessed as targeted rates.
44. Services Category rating units are defined as rating units that are provided with one or more of water, wastewater or rubbish & recycling collection services, and are used:
  - as a reserve under the Reserves Act 1977
  - for conservation, wildlife management or preservation purposes and not for private pecuniary profit and accessible to the public
  - by Council for:
    - a. Public garden, reserve, or children playground
    - b. Games and sports
    - c. Public hall, athenaeum, museum, gallery or similar institution
    - d. Public baths, swimming baths and sanitary convenience.
    - e. cemeteries or crematorium
  - by the Queen Elizabeth the Second National Trust
  - by the Royal Foundation of the Blind, except as an endowment
  - by or for an education establishment, special school or other institution under s159(1) of the Education Act 1989
  - by a district health board for health and health related services
  - solely and principally as a place of religious worship, Sunday or Sabbath school or other form of religious worship and not for private pecuniary profit
  - as Maori meeting house that is Maori freehold land not exceeding 2ha
  - as railway or for the loading and unloading of goods or passengers from trains
  - for the free maintenance or relief of persons in need, not exceeding 1.5 hectares.

45. Where there is a Community, Sporting or Cultural activity on Council Reserve land, and the activity is subject to a lease agreement as defined within Council's Community Occupancy Policy, these targeted rates will apply.
46. Upon application, Council extends the rating treatment of the Services Use category to rating units which are operated by not for profit organisations, whom provide benefits to the wider community and where there is no private pecuniary gain. Refer to the Rates Remissions and Postponements Policy for criteria.
47. The targeted rate for rubbish and recycling collection is calculated as a fixed rate based on the net cost to provide the service and the number of SUIPs receiving the service.
48. The targeted rate for water provision is this same as the Commercial and Other Category Non-Metered Water rate and is applied where the rating unit is connected to Council's water network but not provided with a metered connection.
49. The targeted rates for the provision of Wastewater services is calculated as a rate in the dollar using both the Land Value and Capital Value of the rating unit. Using the combination of Land Value and Capital Value has regard to the variety of property types, and large range of rateable values.

#### **Metered Water Rate**

50. This is set and assessed for metered and restricted flow water supply on a differential basis to all rating units that are metered (as defined by Hamilton City Council's Water Supply Bylaw 2013).
51. This is calculated based on the average cost to produce 1,000 litres of water.

#### **Commercial and Other Category Non-Metered Water**

52. This rate is set and assessed on Commercial and Other category properties which are connected to Council's water network but are not provided with a metered connection. The intention of this rate is to ensure a contribution towards water costs, as they are not otherwise allocated as part of the General rate.
53. This is set as a fixed rate which represents the minimum charge which would be applied if water was otherwise supplied via a water meter.
54. This is calculated based on applying the metered water rate to an average annual consumption of 240 kilolitres.

#### **Sporting and Cultural (50% non-rateable)**

55. 50% non-rateable status is applied to those ratepayers as defined under Schedule 1, Part 2 of the Local Government (Rating) Act 2002.
56. Council assesses the Sporting / Cultural rate as 50% of the Residential General rate, 50% of the UAGC and 50% of the Hamilton Gardens Rate.
57. This represents a rates contribution from Sporting and Cultural groups as required under the Local Government (Rating) Act 2002.

58. Sporting and Cultural groups do not receive a Council rubbish and recycling collection, as this service is intended for residential households.
59. Section 9 of the LGRA provides that 50% non-rateable properties will pay targeted rates for water, wastewater and refuse collection. Metered water is a targeted rate and is payable in addition to the calculated 50% rate.

### **Rates based on location**

60. Council has established two rates based on the location of a rating unit. Rating boundaries have been drawn with the intention of encompassing entire rating units. Should a boundary split a rating unit, Council will rate the property based on the predominant rating category definition.
61. Schedule 1 of this policy, Rating Maps defines the BID Commercial General rate area, and is used to set the BID targeted rate and the Central City targeted rate.

### **Separately used or inhabited parts (SUIP)**

62. Council has elected to assess all fixed amount rates based on SUIP.
63. Council defines SUIPs in the Funding Impact Statement in its Annual Plan or 10-Year Plans. That definition only applies to the rating year of the Funding Impact Statement.

### **Divisions**

64. Council has elected to undertake the division of rating units, where different parts of a rating unit are included in different differential categories, or part of the rating unit is non-rateable (under Schedule 1 of the LGRA), or a remission or postponement applies.
65. A division is the separation of a property record within the RID into two or more parts. A division is done only for the purpose of assessing rates correctly.
66. Where a division is required, Council determines the area of the property put to each use and requests its valuer to value the parts of the property.
67. Each part will be deemed a SUIP for the purposes of assessing rates.

### **Rates payable by instalments**

68. Council provides for rates to be payable in four equal instalments. In addition to quarterly, a ratepayer may elect to pay weekly, fortnightly or monthly. Direct debits are available as a payment method over these frequencies. Additionally, payments may be made on the internet or in person at Council offices.
69. Cheque payments are also accepted when mailed with the remittance slip in the freepost envelope provided with the invoice.
70. Any payments received for rates are applied to the oldest debt first.

### **Minimum economic rate**

71. Council will not collect the rates payable on a rating unit if the sum of those rates is so small as to be uneconomic to collect. Council has determined that it is uneconomic to collect rates owing on any rating unit of less than \$25.00 (including GST) per annum.

## Rates penalties

72. Council sets penalties for overdue rates as part of its rates resolution.
73. Generally, Council adopts the following penalties regime:
  - a. A 10 percent penalty is applied on the next working day to any balance of any instalment not paid by due date.
  - b. A 10% penalty is added to any balance that remains unpaid from previous years. This is added on 1 July of each year, or five working days after Council has passed the rates resolution (whichever is the later).
  - c. A further 10 percent penalty will be added to rates that remain unpaid from previous years. This will be added six months after the penalty made in (b) above.
74. Any payments received for rates are applied to the oldest debt first.

## Three-yearly Revaluations of property values

75. Council has chosen to revalue every rating unit every three years, the maximum timeframe allowed by the Rating Valuations Act 1998.
76. The next revaluation is to be undertaken this year (and values will be as at 1 September 2018) and these values will be used for setting rates from 2019/20.
77. The revaluation may affect the amount of rates assessed against individual rating units relative to other rating units.

## Calculating differentials

78. In year one of the 10 Year Plan, rates will be in set in accordance with the decisions made by Council.
79. 2019/20 is the first year where rates will be set and assessed using the 2018 revaluations.
80. In 2019/20 the differential factor will be adjusted to maintain the differential yield of the rating sectors from the previous rating year (for existing ratepayers).
81. For the year 2020/21, it is intended that the combination of the General Rate and UAGC will be adjusted by the budgeted rate increase as determined within the Annual Plan.
82. To ensure all existing properties within the rating sectors uniformly increase at the percentage adopted by Council; the General rate and UAGC will increase by the same percentage. The intention is that this provides certainty to existing ratepayers. This excludes other sector specific targeted rates.

## Existing Ratepayers

83. Council defines existing ratepayers where a rating unit is assessed in the current year, and where there has been no change to rating category, the number of SUIPs, or rating valuation (except as a direct result of the city-wide revaluation).
84. In 2018/19 as a consequence of changes to rates Utility networks and properties previously rated as Rural (now Other) are excluded. This is to ensure there is the intended distribution of changes across the Sectors, due to maintaining the sector yield differential as part of the general rate transition from Land Value to Capital Value, and increasing the Other differential factor.



## Rating Growth

85. Rating growth has been forecast using calculations based on National Institute of Demographic and Economic Analysis (NIDEA) Low population projections. Rating growth forecasting considers the expected increase in the number of rating units, SUIPs and increase in total Capital Value, which is as a result of subdivision and other consented works such as new builds, additions etc.
86. Growth forecasting will be reviewed each year factoring in the actual results from the year prior.

## Public availability of information

87. The RID is available for public inspection at Council's Municipal Building during business hours.
88. Limited rating information is also available to view on Council's website.
89. Council reserves the right to charge a fee for supplying any person with a copy of information from the RID.

## Objections and Disputes

90. The Local Government (Rating) Act 2002 provides certain rights of objection to the information contained in the RID. Any objections to the allocation of property use to the Council differential categories are to be made to the Rates & Revenue Manager for consideration.

## References

- Funding Needs Analysis, section 101(3), provides the background and analysis to explain the funding decisions made by Council. It is guided by the funding principles and choices of funding sources documented in the Revenue and Financing Policy.
- The Revenue and Financing Policy states Council's policies regarding funding operating and capital expenditure and shows how the Council has complied with section 101(3).
- The Funding Impact Statement is included in each 10-Year Plan and Annual Plan as required by clauses 15 or 20 of schedule 10 of the LGA. It shows the results of the detailed rates calculation for the first year of the plan.
- The Rates Remissions and Postponements Policy provides information on rates that are remitted or postponed implementing policy objectives that affect the liability for rates a rating unit has.

## Schedule One – Rating Maps

### Business Improvement District (BID) and Central City Rating areas

This map defines the rating area for the purpose of setting the BID Commercial general rate, BID Commercial targeted rates and Central City targeted rate.

