

WAIROA DISTRICT COUNCIL IN FOCUS

FOR YOUR DIARY

PUBLIC NOTIFICATION

COUNCIL MEETING

Tue, 1 December: 1.30pm

ECONOMIC DEVELOPMENT COMMITTEE

Tue, 8 December: 1.30pm

CONTACT US

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(06) 838 7309



RATES REVIEW PUBLIC CONSULTATION

FARMING SECTOR MEETING

Wed 17 Nov, 6.30pm
Wairoa Airport

CARAVAN SESSIONS

Wed 18 Nov, 10am-2pm
Nuhaka Shop, Nuhaka

Thur 19 Nov, 10am-2pm
Whakamarino Lodge, Tuai

Fri 20 Nov, 10am-2pm
Hauora Building, Raupunga

COMMUNITY MEETINGS

Tue 24 Nov, 5.30pm-7.30pm
Wairoa Taiwhenua

Thur 26 Nov, 5.30pm-7.30pm
Wairoa Taiwhenua



Mayor Craig Little

RATES REVIEW

Ratepayers will have received letters from the Council giving them an indication of what their rates could be under the 'rates review proposal' Council is currently considering.

The first thing I need to stress is this is a proposal. No decisions have been made, there is no predetermination. The proposal that is being floated is in a bid to gauge the feedback from the community. The most important thing ratepayers can do is make a submission, whether they are happy or not, so we know what our community is thinking.

Some people will be ecstatic, particularly those who live in town, as the proposal indicates their rates will drop. While others, farmers, foresters and Mahia ratepayers will likely be looking at increases which in most cases means they won't be happy.

The rates review was triggered because every year we send out the rates notices and people complain and get stuck into Council. People tell us they can't afford to pay their rates, forestry should pay more, Mahia should pay less, or more, we literally get it from all directions.

We acknowledge there are inconsistencies in our current system and while this proposal is a massive change, we are biting the bullet and trying to put best practice systems in place.

Status quo is still an option, as are less extreme tweaks to the current proposal.

It is also important our community understands we had to start somewhere. We are not suggesting this proposal is perfect, but it is a starting point and allows our community to see how they could be affected.

This review is about making our rating system and the way rates are collected from ratepayers across our district less complex - ie:

- Simple
- Affordable
- Appropriate

It is also about hearing the community's thoughts on

- Should those with more pay more?
- Should those who use our roads more pay more for the damage caused?
- Should everyone contribute for those struggling the most?
- Should we all pay for the benefits of water and wastewater in the general rate?
- Should we reduce the fixed rate portion of the rates?

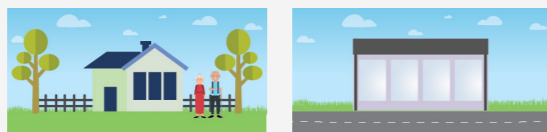
The current rating system dates back prior to the 1990's. Since then the community and our values have changed. We have more than 30 differentials for land and capital value rates. It is overly complex.

We have had initial feedback from the community and workshopped with a local government expert and received

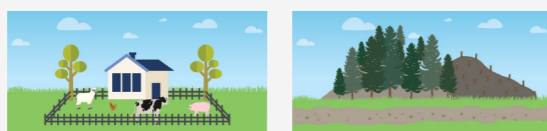
legislative advice to come up with the proposal that we have now presented.

Our new proposal involves:

FOUR DIFFERENTIALS



Residential Commercial



Rural Forestry

This would see residential and rural paying the same rate in the dollar of capital value, commercial slightly higher to reflect the benefits of being in business and forestry a lot higher to reflect extra costs of maintaining roads and negative community wellbeing effects of the industry.

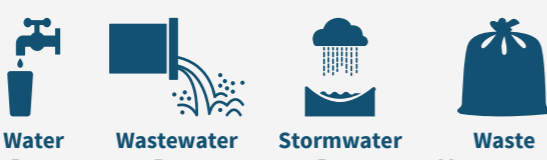
CREATE A NEW GENERAL RATE



We propose to simplify those rates charged to everyone in the general and roading rates (land value), and services and recreation rates (capital value) to a single new general rate (capital value).

This proposal would simplify the rating system and transfer rates from the residential and commercial sectors to the rural and forestry sectors.

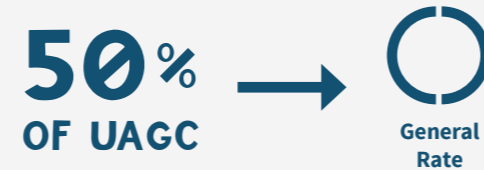
MOVE 10% OF THE WATER, WASTEWATER, STORMWATER AND WASTE MANAGEMENT RATES TO THE GENERAL RATE



Move 10% to General Rate

Everyone pays the general rate. This recognises the wider district benefits to health, kaimoana, recreation and the environment. This change supports the ability to pay rates for residential properties.

MOVE 50% OF THE UNIFORM ANNUAL GENERAL CHARGE (UAGC) TO THE GENERAL RATE



Everyone pays the UAGC. It is a fixed rate (currently \$726.20). It is the second largest rate behind roading. Fixed rates are highly regressive to income. In Wairoa town fixed rates alone (before value-based rates) exceed the rates affordability threshold. We are proposing to reduce this rate by half, adding the reduction to the general rate. This change is to help with rates affordability and would benefit all low value properties in town and in rural areas. The transfer to the general rate would mean higher rates for rural and high value properties.

Moving to an improved system is a necessity but have we gone too far? Does this new proposal just transfer the affordability issue from one area of our community to another?

The current proposal reduces the number of differentials in a bid to make the rating model simpler, but if simplicity means the model is too unaffordable for some, then other options will need to be considered.

Indicative figures from the new proposal show a house in the Wairoa township with a capital valuation of \$365,000 currently has rates of \$4,343 and would go down to \$3,145.

Comparatively a Mahia property valued at \$395,000 would see rates increase from \$2,276 to \$2,655 and a Mahia property with a valuation of \$1.4 million would go from paying \$2,580 to \$5,756.

A 464.7 ha farm would go from paying \$7,322 to \$9,328; 607 ha from \$11,917 to \$15,375 and 1,302 ha from \$21,023 to \$28,738

A 1,577-hectare forestry property with a valuation of \$2.19 million currently pays rates of \$22,351 which would change to \$26,451

A 5,837-hectare pastoral property with a capital value of \$16 million and with five houses on it, currently pays rates of \$44,673.40 and would go up to \$62,672.00.

I would imagine farmers will not want to see the 10% of the cost of water supply and wastewater transferred to the general rate as many farmers already pay for their own septic tanks and water systems so will see it as unfair to be expected to contribute to services they don't perceive themselves as receiving.

Ability to pay has been a major factor for years but it is important we strike the right balance.

Another option to consider is moving to a more user-pays basis where individuals pay for the service they receive which would lower the Uniform Annual General Charge, but how do we measure this for activities that are provided for the benefit of the community as a whole?

People may suggest it is not Council's job to assist low income earners, that is the role of Central Government. Another point is in most cases people with affordability issues will qualify for the rates rebate of up to \$655. Rates

rebates apply to residential property and not property used for commercial, industrial or farming purposes.

We need to make a decision based on a democratic process. That means doing what the people want and encouraging people to take part in decisions that affect the way in which their community is run.

There are more people in town who would receive a benefit from this proposal so it is vital everyone speaks up so we can engage in the most democratic way possible.

During the submission process we will also reflect on the value of the properties the submitters are submitting on to balance out the democratic process.

Councils provide local public services and infrastructure that communities need to survive and prosper. Nothing, however, is free. Local services need to be paid for to meet the expectations and need of today's communities and the communities of the future.

New Zealand councils rely on a single form of tax, property tax.

Property taxes may take the form of:

- general rates - based on the land, capital or rental value of a property
- targeted rates - rates calculated on the basis of a feature of a property and used to fund a specific service, such as funding the cost of a sea wall to halt erosion based on the frontage size of affected sections
- uniform annual general charges (UAGC) - a standard cost per property, not related to property value (only 30% of rates can be made up of UAGCs).

We get constant feedback from people saying their rates should be less because they don't use a particular service, such as the library or parks and reserves or Council housing.

But rates are a tax, and just like income tax we all contribute to services that we may never use. Our income taxes go towards the unemployment benefit whether you have been unemployed or not, and towards infrastructure like the Auckland bridge which you may never drive over.

Our current system is partially based on capital value, and the new proposal places more emphasis on capital value but is it fair to assume capital value is the answer?

Capital value takes the total value of a property and rates against that amount. So, you may be a low-income earner, but say have inherited a high value house, or have worked all your life towards owning your own home and it is now worth a lot, and therefore your rates will be reflective of that high value.

This is the same argument for Mahia and Wairoa. Houses in town are generally valued at less than those at Mahia. However, a high value Mahia home might be lived in by a retired couple on a fixed income so therefore their ability to pay is not necessarily reflected in the value of their home.

While Capital value is a blunt mechanism for determining the model, it is the only reasonable tool we have. However, we are very willing to look at options that allow us to lessen the bluntness of capital value to ensure we don't have a model that goes against the principles we've signalled, of rates being simple, affordable and appropriate.

We want to improve our current complex system, but we also want a sustainable future path and one that suits our specific community.

SHOULD THESE THREE HOUSES WITH DIFFERENT CAPITAL VALUES PAY THE SAME RATES?

CAPITAL VALUE
\$275,000

CAPITAL VALUE
\$475,000

CAPITAL VALUE
\$900,000

