



## 6.0 Rating Policy (incorporating Rates Remission and Rates Postponement Policies)

### 6.1 Objective

The objective of the Rating Policy is to develop a system, which reflects the following attributes:

- Effectiveness to meet Council's goals, which takes into account the community needs for environmental, economic and social issues.
- Efficiency, in that resources are allocated to best advantage for the benefit of the community.
- Equity, reflecting the accounting principles: ability to pay principle and the benefit principle.
- Simplicity through low cost administration and implementation.
- Transparency, in that the policy is clear and readily understandable.
- Spread the incidence of rates as fairly as possible.
- Be consistent in charging rates.
- Ensure all ratepayers pay their fair share for Council services.
- Provide the income to meet the goals.

The Rating Policy should be read in conjunction with the Council's Revenue & Financing Policy, and the Funding Impact Statement outlined in the Long-Term Council Community Plan (LTCCP).

The Rating Policy incorporates all Rates Remission and Rates Postponement Policies of Council.

### 6.2 Background

Rates are assessed under the Local Government (Rating) Act 2002, on all rateable rating units on the land value supplied by Quotable Value New Zealand Limited.

### 6.3 Rating Systems

There are three rating systems available to local authorities under Section 13 of the Local Government (Rating) Act 2002 for the general rate.

#### Annual Value

These values are based on the rent for which a particular property could be let from year-to-year, with a minimum of 5 per cent of the capital value.

#### Capital Value

These values are based on the market value of the property, including improvements.



### Land Value

These values are based on the market value of land.

## 6.4 Differential Rating

Differential rating is the system on which rates are made. It is a means where rates assessed on one or more groups of property that may vary from those assessed in respect to others. Under Council's current policy the impact of rating on a differential basis is primarily to shift the rates assessed off residential properties onto other sectors in the community based on funding considerations outlined in the Revenue and Financing Policy.

## 6.5 Types of Rates

### General Rate

Is a rate in the dollar assessed on all rateable rating units.

### Targeted Rate

May be set on a uniform basis for all rateable land or only on some categories of rateable land either uniformly or differentially for different categories of rateable land under Sections 16 & 17 of the Local Government (Rating) Act 2002.

### Uniform Annual General Charge

Is a fixed amount per rating unit or separately used or inhabited part of a rating unit applied equally to all rateable properties.

## 6.6 Maximum Uniform Annual Charge Revenue & Mix of Rates

By law, rating revenue from uniform annual general charges and uniform per property targeted rates (except those for water and wastewater services) cannot exceed 30 per cent of the total rates revenue.

Council has resolved not to assess uniform annual general charges (UAGCs). Council assesses the following targeted rates:

- a targeted rate for non-domestic water supply;
- a targeted rate relating to the Access Hamilton Strategy;
- three targeted rates on a differential basis for 100% (fully) non-rateable properties for water supply, refuse and wastewater; and
- four targeted rates on a differential basis for 50% non-rateable properties for water supply, refuse and wastewater.

Council has resolved that in addition to the targeted rates listed above, to levy general rates under the land value rating system (with differentials).



## 6.7 Rating System

The following sub-sections describe in detail the Council's rating system (as summarised above in Section 6.6). For details on the rating revenue sought by each individual rate, refer to the Funding Impact Statement in the LTCCP.

### 6.7.1 General Rate

The general rate under Section 13 of the Local Government (Rating) Act 2002 is set based on the rateable value of the land. The rateable value is the land value of the land. General rates are set at different rates per dollar of rateable value for different categories of rateable land, as described below under the heading "General Rate - by Differential".

### 6.7.2 General Rate - by Differential

The differential basis is based on the use to which the land is put.

The current categories of rateable land and the differential factors are as follows:

Differential Categories of Rateable Land	Differential Factor
Residential	1.0000
Inner City Residential Apartments	0.9570
Commercial/Industrial	2.2657
Multi-Unit Residential	1.4314
Rural Residential	0.4940
Rural Small	0.3336
Rural Large	0.1666

Every three years at the time of a revaluation, the differential factor will be adjusted to maintain the differential yield of the previous rating year. The revised differential factor will apply until the next review of the LTCCP when the cost allocation model, rating system, and rating differential factors are reviewed. This post revaluation adjustment to the rating differential factor ensures that the incidence of rates between the rating categories is maintained as a result of the revaluation.

### 6.7.3 Category Definitions - General Rate Differential

Each rating unit is allocated to a differential rating category (based on the land use) for the purpose of calculating the general rate. Refer to the Funding Impact Statement for definitions used to allocate rating units to categories.

### 6.7.4 Home Occupations

Although home occupations are permitted activities in all residential zones, Council's present differential rating system charges rates on property 'use or uses' rather than zoning (refer to Section 14(b) of the Local Government (Rating) Act 2002).

Currently, those properties used both for residential and commercial purposes have their values apportioned against the different types of use and are rated accordingly. The residential use



portion is charged for through Residential rates, and the commercial use portion is charged for through Commercial rates.

The apportionment of values for different "uses" on the property will occur through the operation of Section 27(5) of the Local Government (Rating) Act 2002.

### 6.7.5 Uniform Annual General Charge

The effect of a uniform annual general charge is that properties pay the same fixed amount per rating unit or separately used or inhabited part of a rating unit.

The current policy is that no uniform annual general charge be used, due to their regressive nature, and in particular their impact on the rating of lower valued properties.

### 6.7.6 Targeted Rates

Council may set a targeted rate for an activity if the activity is identified in its Funding Impact Statement as an activity for which a targeted rate may be applied. Council assesses the following targeted rates: (Refer to the Funding Impact Statement for more detailed information on the targeted rates).

#### (1) Targeted Rate for Non-Domestic Water Supply

Pursuant to Section 19(2)(b) and Clause 7 of Schedule 3 of the Local Government (Rating) Act 2002, Council will set and assess a targeted rate on a differential basis to all rating units supplied with non-domestic water supply (as defined by Hamilton City Council's Water Supply Bylaw 1999).

#### (2) Targeted Rate - Access Hamilton

Pursuant to Sections 16(3)(b) & 16(4)(a) and Schedule 2 Clause 1 of the Local Government (Rating) Act 2002, Council will set and assess a targeted rate relating to Access Hamilton, assessed on a uniform rate based on the capital value of all categories of rateable properties (excluding 100% non-rateable and 50% non-rateable properties). The amount raised by this targeted rate will be transferred into a special reserve and these funds will be used to fund any of:

- Investigation or associated Access Hamilton capital costs
- Debt servicing of loan funded Access Hamilton capital projects
- Subsidies of transport initiatives, design and feasibility studies and other operational costs linked to the Access Hamilton strategy.

#### (3) Targeted Rates - 100% (fully) Non-Rateable Properties

Pursuant to Sections 8, 9 & 16(3)(b) and Schedules 2 & 3 (Clauses 3, 7 & 8) of the Local Government (Rating) Act 2002, Council will set and assess three targeted rates on a differential basis for 100% (fully) non-rateable properties for water supply, refuse and wastewater services.



**(4) Targeted Rates - 50% Non-Rateable Properties**

Pursuant to Sections 8(2), 16(1), 17 & 18 and Schedule 1 Part 2 of the Local Government (Rating) Act 2002, Council will set and assess rates at 50% general residential mandatory rates based on the land value of the property.

**(5) Targeted Rate — Business Improvement District (BID)**

Pursuant to Sections 16(3)(b) and 16(4)(a) and matters 5 and 6 of Schedule 2 of the Local Government (Rating) Act 2002, Council will set and assess a targeted rate for a defined Business Improvement District within the CBD.

The defined area is as per the attached map — (Appendix 1).

The targeted rate will be a mandatory charge on all commercial/industrial properties within the precinct.

The targeted Business Improvement District rate will be used to fund the respective programmes as outlined in the Business Association’s Business Plan.

The targeted rate will be a combination of a minimum flat charge, together with a targeted rate on a capital value basis for each rating unit, or separately used or inhabited part of a rating unit within the defined area.

**6.7.7 Future Growth Cells Rating**

**(a) Ruakura Growth Cell (R1)**

The Ruakura Growth Cell (R1) land has been identified through the development work for the Hamilton Urban Growth Strategy as critical to the provision of employment and research activities on the eastern side of the City, in addition to the longer term retention of the AgResearch campus in Hamilton. Waikato District Council, and Hamilton City Council have agreed in principle to the transfer of the land during the 2009-19 LTCCP period.

The boundary adjustment and transfer agreement will be subject to Local Government Commission approval.

The high level terms of the agreement within Waikato District are as follows:

- The R1 land transfers to HCC at 30 June 2010, for an effective start date of 1 July 2010 (new rating year).
- HCC to rate R1 land under its own Rating Policy from 1 July 2010.
- HCC to pay to WDC the rates that would have been levied by WDC on the R1 land at 1 July 2010, for the 8 year period 1 July 2010 to 30 June 2018. The amount is to be paid annually and is a fixed amount set at 1 July 2010 not subject to any CPI adjustments. It is estimated that the cost of this payment is \$300,000 p.a. (subject to WDC rates at 1<sup>st</sup> July 2010), which would be funded from HCC rates on this land. All rating growth from 1 July 2010 (beyond the WDC rating level) is to remain with HCC.

There will be a need for a targeted rate on the R1 land on a differential basis for different categories of rateable land based on the capital value of the rating unit. The targeted rate is required to fund the shortfall between the payment to WDC and the rates collected under the existing HCC rating policy. The amount of the targeted rate in 2010/11 is estimated to be



\$100,000. The actual target rate and details will be outlined in the Funding Impact Statement for the 2010/11 Draft Annual Plan.

**(b) Te Rapa North A ( HT2A )**

The HT2A land has been identified through strategic land agreements with WDC, as critical to the long term provision of land in the North of the city. WDC and HCC have agreed to transfer the land during the 2009-19 LTCCP period. The boundary adjustment and transfer agreement will be subject to Local Government Commission approval.

The high level terms of the agreement within Waikato District are as follows:

- The HT2A land transfers to HCC at 30 June 2010, for an effective start date of 1 July 2010 (new rating year).
- HCC to rate HT2A land under its own Rating Policy from 1 July 2010.
- No requirement for HCC to pay WDC any difference in rating
- All rating growth from 1 July 2010 is to remain with HCC.

**(c) Te Rapa North ( HT2B )**

This land will transfer to Hamilton City Council in future years and will be covered in a later LTCCP.

**6.7.8 Rating of 100% (fully) Non-Rateable Land - General Description**

Council rates a number of categories of non-rateable land assessed under the Local Government (Rating) Act 2002. Properties which are 100% (fully) non-rateable (excluding water, refuse and wastewater rates) are summarised as follows:

- Educational Institutions
- Churches (Place of Worship)
- Community Organisations (Needs Based)
- Any land which falls within Part 1 of Schedule 1 of the Local Government (Rating) Act 2002, eg Health Services (public hospitals and related services).

Where the land is 100% (fully) non-rateable, three targeted rates will be set and assessed on a differential basis for water supply, waste collection (refuse), and sewerage disposal (wastewater), in accordance with Sections 8, 9 & 16(3)(b) and Schedules 2 & 3 (Clauses 3, 7 & 8) of the Local Government (Rating) Act 2002. These funding mechanisms cover the water, refuse and wastewater services.

To give effect to the foregoing policy on the rating of 100% (fully) non-rateable properties, the Council will set and assess the following targeted rates:

**Non-Rateable Water Targeted Rate**

A targeted rate for water on all 100% (fully) non-rateable properties as described in the Funding Impact Statement.



### **Non-Rateable Refuse Targeted Rate**

A targeted rate for refuse on all 100% (fully) non-rateable properties as described in the Funding Impact Statement.

### **Non-Rateable Wastewater Targeted Rate**

A targeted rate for wastewater on all 100% (fully) non-rateable properties as described in the Funding Impact Statement.

Note: These targeted rates apply only to properties which are 100% (fully) non-rateable in terms of Part 1 of Schedule 1 of the Local Government (Rating) Act 2002 and only to those properties supplied with the relevant service.

To calculate each sector's proportion of the cost of each service, the total cost of the service for the relevant year is multiplied by the proportion that the total rateable value of the sector bears to the total rateable value of the City.

### **Application and Review Process for 100% (fully) Non-Rateable Land**

- (i) Two categories of non-rateable land being Educational Institutes and Churches (Place of Worship) will not be required to complete an application each year but their rating status will be reviewed by staff annually. Staff may request an application if they feel unsure whether that organisation still meets the criteria, or where it is unclear if a new organisation satisfies the definitions of one of these two categories.
- (ii) Existing organisations rated as community organisations (Needs Based) will be required to complete a yearly declaration confirming that they still meet the criteria outlined in definition for communication organisations (Needs Based).
- (iii) All new organisations seeking classification under the community organisations (Needs Based) rating category must complete a new application form.
- (iv) All new applications for classification as 100% (fully) non-rateable land and declarations confirming the organisation still meets the community organisations (Needs Based) rating status, will be reviewed by the Finance Manager, Revenue Manager and Community Support Manager. If the review panel is unsure whether the organisation still meets the criteria, then a full application will be required.
- (v) The information to be requested from new and existing (where applicable) applicants seeking Community Organisations (Needs Based) rating status must include the following:
  - property location
  - contact details
  - legal status of organisation
  - audited Financial Statements
  - aims of organisation
  - description of services offered and community benefit
  - client group (gender, age, ethnic group, locality) client numbers



### **6.7.9 Rating of Educational Institutions - 100% (fully) Non-Rateable Definition**

Educational Institutions are defined in Clause 6 of Part 1 of Schedule 1 of the Local Government (Rating) Act 2002.

**The current policy is as follows:**

- that all educational institutions (including private schools and tertiary institutions in accordance with the definition as outlined above) be rated for general rates on the same basis. Under the current legislation this means that no general rates will be chargeable;
- that these properties be charged by way of three targeted rates for the full cost of water, refuse and wastewater services supplied, and charged at a rate in cents per dollar on the land value of the property;
- that there be a minimum charge for each service;
- that all educational institutions operating for private pecuniary profit will be rated at full commercial/industrial rates.

### **6.7.10 Rating of Churches (Place of Worship) - 100% (fully) Non-Rateable**

#### **Definition**

Land and buildings that are to be used as a place of religious worship (Part 1 of Schedule 1 of the Local Government (Rating) Act 2002) not including associated rooms, halls or buildings which are used for meetings, accommodation and preparation of food. These are classified under the community organisations' category.

**The current policy is as follows:**

- that these properties be charged by way of three targeted rates for the full cost of water, refuse and wastewater services supplied, and charged at a rate in cents per dollar on the land value of the property;
- that there be a minimum charge for each service.

### **6.7.11 Rating of Community Organisations (Needs Based) - 100% (fully) Non-Rateable**

#### **Definition**

Community Organisations - (Needs Based) (as defined in Clause 21 of Part 1 of Schedule 1 of the Local Government (Rating) Act 2002) with a not-for-profit status, existing to deliver social benefits to the community where neither government nor business is best or appropriately placed.

**The current policy is as follows:**

- that these properties be charged by way of three targeted rates for the full cost of water, refuse and wastewater services supplied, and charged at a rate in cents per dollar on the land value of the property;
- that there be a minimum charge for each service.



Any land (other than Educational Institutions, Churches (Place of Worship), or Community Organisations - (Needs Based) defined within Part 1 of Schedule 1 of the Local Government (Rating) Act 2002 will be rated the same as a Community Organisation (Needs Based).

### 6.7.12 Rating of 50% Non-Rateable Land - General Description

Council rates a number of categories of non-rateable land assessed under the Local Government (Rating) Act 2002. Properties which are 50% non-rateable (excluding water, refuse and wastewater rates if applicable) are as follows:

- Community Organisations (Arts Based)
- Sporting & Cultural Organisations
- any land which falls within Part 2 of Schedule 1 of the Local Government (Rating) Act 2002

Where the land is 50% non-rateable as defined under Part 2 of Schedule 1 of the Local Government (Rating) Act 2002, Council will rate these properties at 50% of the residential general rate (mandatory rates). This funding mechanism covers all the services of Council.

#### Application and Review Process for 50% Non-Rateable Land

- (i) Existing organisations rated community (arts based), sporting and cultural will be required to complete a yearly declaration confirming that they still meet the criteria outlined in the definition for community (arts based) sporting and cultural organisations.
- (ii) All new organisations seeking rating relief under the community (arts based), sporting and cultural rating categories must complete a new application for rating relief.
- (iii) All new applications for rating relief and declarations confirming the organisation still meets the community (arts based), sporting and cultural rating status, will be reviewed by the Finance Manager and Revenue Manager. If the review panel is unsure whether the organisation still meets the criteria, then a full application will be required.
- (iv) The information will be requested from new and existing (where applicable) applicants seeking community rating status must include the following:
  - property location
  - contact details
  - legal status of organisation
  - audited Financial Statements
  - aims of organisation
  - description of services offered and community benefit
  - client group (gender, age, ethnic group, locality) client numbers

### 6.7.13 Rating of Community Organisations (Arts Based) - 50% Non-Rateable Definition

Community Organisations (Arts Based) (as defined in Clause 3 of Part 2 of Schedule 1 of the Local Government (Rating) Act 2002) with a not-for-profit status, existing to deliver social benefits to the community where neither government nor business is best or appropriately placed.



Land in the category of Community Organisations (Arts Based) - 50% non-rateable will be rated at the 50% general residential rates based on the land value of the property.

Unless otherwise stated, any land:

- which is entitled to a 50% rates exemption under Part 2 of Schedule 1 of the Local Government (Rating) Act 2002; but
- to which the rating policy for Community Organisations (Arts based); and Sporting and Cultural Organisations do not apply;

will be rated in accordance with the rating policy for Community Organisations (Arts Based) - 50% non-rateable.

#### **6.7.14 Rating of Sporting and Cultural Organisations - 50% Non-Rateable Definition**

An organisation whose principal object is to promote games, sports, recreation, arts or instructions, for the benefit of residents or any group or groups of residents of the district, not for private pecuniary profit in accordance with the definition provided in Part 2 of Schedule 1 of the Local Government (Rating) Act 2002. If applicable, no commercial rating apportionment will be applied to the liquor licence portion of the premises with the exception of Chartered Clubs. The restaurant, bar and gaming machines area of chartered clubs will be apportioned and rated at the full commercial/ industrial rating as from 1 July 2009.

Land in the category of Sporting and Cultural Organisations - 50% non-rateable, will be rated at the 50% general residential rates based on the land value of the property.

Retirement villages which are entirely operated by an entity that has registered charitable status under the Charities Act 2005 receive the 50% rates remission on the area of the complex that is used for recreation for residents and by the wider community.

Retirement villages which are not operated entirely by entities which have charitable status under the Charities Act 2005 will be rated at the full residential rate for the whole complex.

#### **6.7.15 Separately Used or Inhabited Part (SUIP) of Rating Unit**

Refer to the Funding Impact Statement for the definition of SUIP.

#### **6.7.16 Rates Payable by Instalments**

The Council provides for rates to be paid in four equal instalments. A ratepayer may elect to pay weekly, fortnightly, monthly by automatic payment through the banking system. Rates can also be paid by direct debit (monthly or quarterly), Internet and other banking methods.

#### **6.7.17 Discounts for Prompt Payment**

The Local Government (Rating) Act 2002, Section 55 authorises a council, if it so desires, to allow a discount for prompt payment of rates. There have been few requests for this concession and Council's policy is to provide no discount.



### 6.7.18 Rating Penalties

In accordance with Sections 57 & 58 of the Local Government (Rating) Act 2002, a penalty of 10 per cent is added to all rates assessed (GST inclusive balance) or part thereof in the current financial year (including general and targeted rates), which are unpaid after the due date for payment. Previous years rates, which remain unpaid, will have a further 10 per cent added on 1 September and again on 1 March each year.

### 6.7.19 Special Rating Values and Farm Postponement Values

The Local Government (Rating) Act 2002 repealed Sections 22-25 of the Rating Valuation Act 1998, which up until this time had provided for special rating values and farm postponement values. As a result, the Valuer General has determined that from 1 September 2003 with effect from the 2004/05 rating year, no special rating values or farm postponement values will be assessed for rating purposes. These were previously assessed as part of the three yearly revaluation.

The effect of the special rating values has generally been to lower the full market value of a property, to reflect the current use of the property (e.g. residential properties in commercially zoned areas are given a lower special value than the otherwise higher commercial value). The effect of the farm postponement values has been to reduce the rateable value of large rural properties on the edge of the City from potential sub-division basis to use as rural properties (eg farms).

The difference between farm postponement values and special rating values is that the rates on special rating value properties are assessed on the lower value each year (hence the rating burden is spread to other ratepayers). The rates assessed on farm postponement value properties are written off in part after the fifth year of that farm being subject to the scheme (hence a five year deferral of the cost of the rates write-off).

Council resolved from 1 July 2004 to continue assessing rates on special rating values or farm postponement values then rate the properties at their full market value and remit the rates back to the special value level by adopting a new remission policy and a new postponement policy. The two policies are outlined further in this document as the Rates Remission - Special Rating Values Policy and Rates Postponement - Farm Postponement Values Policy.

The Rates Postponement — Farm Postponement Values Policy will be terminated from 30 June 2010 and the Rates Remission — Special Rating Values Policy will be amended as at 1 July 2010. This amendment will mean no properties will be provided a special rating value apart from the AgResearch Ruakura property and any other property that could demonstrate a legal agreement that would show in perpetuity it cannot be subdivided or changed from its current use or purpose.

### 6.7.20 Cap on Residential Rates

Council has confirmed the legal position that a cap cannot be used. However, it is lawful for rates on residential properties to be assessed on a stepped differential basis according to land value. The lowest rate should not be at zero per cent.

Current policy is that there be no cap on residential rates.



### 6.7.21 Rating of Council Owned Property

Council have resolved that a decision on whether a Hamilton City Council-owned property is to be rated or non-rated is determined in accordance with the following criteria:

#### Rateable Hamilton City Council Properties:

- Investment properties
- Residential properties
- Pensioner housing
- Carparks (fee-charged)
- Vacant land (set aside for commercial or investment activity).

#### Non-rateable Hamilton City Council Properties (in accordance with Schedule 1, Clause 4 of Local Government (Rating) Act 2002):

- Reserves (recreation, utility, infrastructure)
- Council properties classified as community assets (library, museum, toilets, transport centre, RTS)
- Council administrative buildings
- Infrastructural assets
- Sports facilities
- Carparks (when no fee is charged).

## 6.8 Rates Remission and Rates Postponement Policies

In accordance with Sections 85 & 87 of the Local Government (Rating) Act 2002 and Sections 102(5), 109 & 110 of the Local Government Act 2002, Council will remit and postpone rates as set out in the Rates Remission and Rates Postponement Policies as listed in this section.

### 6.8.1 Rate Remissions - Remission of Penalties

The objective of this policy is to consider requests for remission of penalty charges on rates.

Council's current policy is that additional charges by way of penalty may be applied in accordance with Sections 57 & 58 of the Local Government (Rating) Act 2002. These penalties may be remitted in accordance with Section 109 of the Local Government Act 2002 and Section 85 of the Local Government (Rating) Act 2002 under the following criteria:

- Remission may be granted where payment has been received after the date fixed for imposition of a late penalty charge, provided that none of the previous four instalments were similarly received late.
- Remission may be granted where a ratepayer either:
  - (a) makes satisfactory arrangements for regular and substantial reduction of arrears. (These arrangements are to include the remission of late penalty charges as long as such arrangements are fully met) or,



- (b) provides sufficient information which, if considered genuine and if substantiated with reasonable excuse for late payment, would justify remission for late penalty charges or,
- (c) Rates staff have the authority to reset penalties where the application meets the criteria set above.

The practice of a penalty for non-payment of rates by due date is an accepted standard practice for local authorities.

A written application for remission is required if the request does not meet the above criteria.

The Deputy Chief Executive may approve or decline application for waiver of rates penalty where the application is not within the criteria set above; this is also delegated to the Finance Manager (up to \$1,000) and the Revenue Manager (up to \$200). Amounts exceeding \$1,000 must be approved by the Deputy Chief Executive.

### 6.8.2 Rates Remission - Hardship Relief

The objective of this policy is to receive and consider applications for rates remission in the cases of extreme financial hardship.

Section 109 of the Local Government Act 2002 and Section 85 of the Local Government (Rating) Act 2002 provides for Council to remit part of the rates owing on the rating unit in cases of extreme hardship. Council has approved a Rates Remission - Hardship Relief Policy based on the following criteria:

- (i) Ratepayers must apply to Council in writing to be considered for a remission.
- (ii) The maximum remission under the Rates Remission - Hardship Relief Policy is \$352 - (updated 1 July 2009).
- (iii) The maximum remission amount to be increased by the average percentage general residential rates increase annually.
- (iv) The application will be assessed independently from the Government Rates Rebate Scheme.
- (v) For the purposes of calculating the remission the basic allowable income factor will be set at \$16,480 - (updated 1 July 2009).
- (vi) The income threshold level be adjusted by the annual percentage change in the Super Living Alone benefit payment effective 1 July each year.
- (vii) The following essential elements must be met before any remission is granted:
  - the applicant must be the owner of the property, the applicant must reside at the property and the property must be classified as either a residential or inner city residential apartment. Companies, trusts and other similar ownership structures of these properties do not qualify for this remission;
  - Council must be satisfied that extreme financial hardship on any individual exists or would be caused by requiring payment of the whole or part of the rates;
  - the applicant must declare total household income and their total financial position for the purposes of the remission calculation;



- the applicant's total assets must not exceed the "total assets" formula described in the Rates Remission - Postponement due to Financial Hardship Policy;
- all applications for rates remission be treated on a case-by-case basis and approved/declined by either the Finance Manager or Revenue Manager;
- Council shall consider whether postponement of rates is a more suitable option.

### 6.8.3 Rates Remission - Special Rating Values

The objective of this policy is that a remission of rates continues to be applied to those properties that had special rating values as at 1 September 2003 and still meet the conditions and criteria of this policy as assessed by Quotable Value New Zealand.

As from 1 July 2004, in accordance with Section 109 of the Local Government Act 2002, Council may remit rates under Section 85 of the Local Government (Rating) Act 2002 based on the following conditions and criteria:

- (a) That no properties be provided a special rating value other than those properties assessed on this basis at 1 July 2003.
- (b) That special rating values are assessed by Quotable Value NZ as part of the three yearly revaluation.
- (c) That a special rating value will be assessed where a property use either:
  - (i) does not match the zoning of the property; or
  - (ii) is a permitted use within the property zoning but the property is not utilised to its potential.
- (d) That where a property is no longer eligible to receive a special rating value (in accordance with the definitions in (c) above), or where a property is sold after 1 September 2003, and where a special rating value exists on the Rating Information Database, the special rating values will be removed immediately for rating purposes.

The effect of the Rates Remission — Special Rating Values Policy is to remit rates on qualifying properties from being calculated on the full market value to the special rating value.

The policy will be rewritten in June 2010 to reflect the change whereby no properties will be provided a special rating value as from 1 July 2010. The only exceptions are AgResearch Ruakura property and any other property that could demonstrate a legal agreement that would show in perpetuity it cannot be subdivided or changed from its current use or purpose.

### 6.8.4 Remission of Rates on Land affected by Natural Calamity or Disaster

The objective of this policy is to enable rate relief to be provided to assist ratepayers experiencing extreme financial hardship due to a calamity or natural disaster that affects their ability to pay rates.

#### Conditions and Criteria

Remissions approved under this policy do not set a precedent and will be applied only for each specific event and only to properties affected by the event.

The Council may remit all or part of any rate on any rating unit where the application meets the following criteria:



- (i) Where erosion, subsidence, submersion or other natural calamity or disaster has affected the use or occupation of any rating unit.
- (ii) It is applicable for each single event and does not apply to erosion, subsidence or other incidences that may have occurred without a recognised major natural calamity or disaster.
- (iii) The Council can set additional criteria for each event where it considers it to be fair and reasonable to do so. This is because the criteria may change depending on the nature and severity of the event and available funding at the time. The Council may require financial or other records to be provided as part of the remission approval process.
- (iv) The extent of any remission shall be determined by the Council on a case-by-case basis.

### **6.8.5 Rates Remission - Remission of Targeted Rates to 100% Non-Rateable Community Organisations (Needs Based)**

The objective of this policy is to facilitate the ongoing provision of the Community Organisations (Needs Based) and its services to the residents of Hamilton City where the charging of the full targeted rate for water, wastewater and refuse may affect the Community Organisations (Needs Based) viability.

#### **Conditions and Criteria**

The Council may remit up to 40% of the targeted rates levied for water, wastewater and refuse in respect of the rating unit, where the application meets the following criteria, and where it considers it to be fair and reasonable to do so:

- (i) Community Organisations (Needs Based) must not operate for private pecuniary profit.
- (ii) Community Organisations (Needs Based) must not receive any funding from government agencies or have any contracts for fee for service with government agencies.
- (iii) Community Organisations (Needs Based) must operate on a voluntary basis and have no full-time or part-time paid employees or contractors operating in this capacity.
- (iv) The cost of the full targeted rates for water, wastewater and refuse will cause the Community Organisations (Needs Based) extreme financial hardship and/or cause the organisation to operate at a financial deficit.

The Community Organisations (Needs Based) must provide the following documents with their application:

- Statement of Objectives
- Constitution or Trust Deed
- Full financial accounts
- Information showing extreme financial hardship and operating position
- Information on activities and programmes
- Information on funding sources

Each application shall be determined by Council on a case-by-case basis.

Applications for this remission must be made annually by the Community Organisation (Needs Based).



The Finance Manager or Revenue Manager may approve the Rates Remission - Remission of Targeted Rates to 100% Non-Rateable Community Organisations (Needs Based) applications.

### **6.8.6 Rates Remission - Remission of Rates to 50% Non-Rateable Sporting and Cultural Organisations**

The objective of this policy is to facilitate the ongoing provision of the Sporting and Cultural Organisations and its services to the residents of Hamilton City where the charging of the full targeted rate for water, wastewater and refuse may affect the Sporting and Cultural Organisations viability.

#### **Conditions and Criteria**

The Council may remit a further portion of the 50% general residential rate levied in respect of the rating unit where the application meets the criteria outlined below and where it considers it to be fair and reasonable to do so. Any further remission of the rates will be based on the core services received by the organisation as follows:

- (i) Wastewater only (metered water and no refuse collection) - remit up to a further 41% of the general residential rate.
- (ii) Wastewater & Refuse (metered water) - remit up to a further 34.5% of the general residential rate.
- (iii) Wastewater, Water & Refuse - remit up to a further 21% of the general residential rate.
- (iv) Wastewater & Water (no refuse collection) - remit up to a further 30.5% of the general residential rate.

The application must meet the following criteria and conditions to qualify for the above remissions:

- (i) Sporting and Cultural Organisations must not operate for private pecuniary profit.
- (ii) Sporting and Cultural Organisations must not receive any funding from government agencies or have any contracts for fee for service with government agencies.
- (iii) Sporting and Cultural Organisations must not hold a liquor licence under the Sale of Liquor Act 1989.
- (iv) Gross annual income of the Sporting and Cultural Organisation must be less than \$500,000.
- (v) Sporting and Cultural Organisations must operate on a voluntary basis and have no full-time and part-time paid employees or contractors operating in this capacity.
- (vi) The charge of 50% of the general residential will cause the Sporting and Cultural Organisations extreme financial hardship and/or cause the organisation to operate at a financial deficit.

The Sporting and Cultural Organisations must provide the following documents with their application:

- Statement of Objectives
- Constitution or Trust Deed
- Audited Financial Statements



- Information showing extreme financial hardship and operating position
- Information on activities and programmes
- Information on funding sources

Each application shall be determined by Council on a case-by-case basis.

Applications for this remission must be made annually by the Sporting and Cultural Organisation.

The Finance Manager or Revenue Manager may approve the Rates Remission - Remission of Rates to 50% Non-Rateable Sporting and Cultural Organisations applications.

### **6.8.7 Rates Remission - Organisation with Liquor Licences**

The objective of this policy is to ensure sporting clubs and organisations are entitled under Schedule 1, Part 2, Local Government (Rating) Act 2002 to a remission of 50% of residential rates. However the Local Government (Rating) Act 2002 excludes land, in respect of which a club licence under the Sale of Liquor Act 1989 is for the time being in force, from receiving the 50% non-rateable status.

It is difficult to determine the portion of the property to which the liquor licence applies. A further consideration is that often the liquor licence is not held to generate profit but helps to cover the operating costs of the sporting club or organisation. To ensure consistency, sporting clubs and organisations which hold a liquor licence, will be eligible for the 50% remission if they meet the following conditions and criteria:

#### **Conditions and Criteria**

- (i) The sporting club or organisation must qualify as 50% non-rateable under Schedule 1, Part 2, Local Government (Rating) Act 2002.
- (ii) The sporting club or organisation must not operate for private pecuniary profit.
- (iii) The sporting club or organisation must hold the liquor licence as an incidental activity to the primary purpose of occupancy.
- (iv) The restaurant, bar and gaming machines area for Chartered Clubs are excluded from this remission and will be rated at the full commercial rating.
- (v) The sporting club or organisation will be required to complete a yearly statutory declaration confirming that they meet the condition and criteria under the policy.

Council may remit 50% of the rate levied in respect of the land relating to the liquor licence where it considers it to be fair and reasonable to do so.

### **6.8.8 Remission of Rates for Commercial Land Use in a Rural Location**

The objective of this policy is to enable remission of part of the rates to a property where a commercial activity is operated in a rural location but do not receive all the Council core services.

#### **Conditions and Criteria**

- (i) The rural commercial properties be rated under the commercial/industrial category.



- (ii) Council to determine which services are unavailable to individual properties annually.
- (iii) The core services available for remission are:
  - (a) wastewater
  - (b) water
  - (c) stormwater
  - (d) footpaths
  - (e) street lighting
- (iv) Council will remit the amount equal to the cost that Council would have charged for the services unavailable as part of the commercial general rate.

### **6.8.9 General Remission Policy for Residential Properties not receiving all core Infrastructure Services**

The objective of this policy is to enable remission of part of the rates to a property where it is used for residential purposes but do not receive all the Council's core infrastructure services.

#### **Conditions and Criteria**

- (i) The property is rated under the full residential category.
- (ii) Council to determine which infrastructure services are unavailable to individual properties annually.
- (iii) The core services available for remission are:
  - (a) wastewater
  - (b) water
  - (c) stormwater
  - (d) footpaths
  - (e) streetlighting
- (iv) Council will remit the amount equal to the cost that Council would have charged for the services unavailable as part of the residential general rate.

### **6.8.10 Remission and Postponement of Rates on Maori Freehold Land**

The objective of this policy is:

- To recognise situations where there is no occupier or no economic or financial benefit is derived from the land and there is no practical means of enforcing the rates assessed.
- To grant remission, (where part only of a block is occupied), for the portion of land unoccupied and unproductive.
- To encourage owners or trustees to use or develop the land.
- Where the owners cannot be found, to take into account the statutory limitation of time for the recovery of unpaid rates.



Council's current policy is that a remission of all or part of rates may be granted in respect of rating units which are Maori freehold land in multiple ownership, where the land is both unoccupied and unproductive.

This policy addresses the requirements prescribed under Section 108 and Schedule 11 of the Local Government Act 2002 and Section 114 of the Local Government (Rating) Act 2002.

### Conditions or Criteria

- (i) The land must be multiple-owned and unoccupied Maori freehold land, which is incapable of producing any income and is not used for residential/commercial/ industrial purpose.
- (ii) A request for rates remission by the owners must include:
  - (a) Details of the land
  - (b) Documentation that shows the ownership of the land
  - (c) Reasons why remission is sought.
- (iii) Where after due enquiry the owners of an unoccupied block cannot be found the Council may apply a remission without the need for a request.
- (iv) If circumstances changes in respect of the land, the Council will review whether this remission policy is still applicable to the land.
- (v) The Deputy Chief Executive has delegated authority to grant or refuse remissions under this policy.
- (vi) Any appeals against the decision of the Deputy Chief Executive will be referred to the Finance & Audit Committee for final determination.

### Definitions

The following definitions are taken from section 5 of the Local Government (Rating) Act 2002:

- Maori freehold land means land whose beneficial ownership has been determined by the Maori Land Court by freehold order.
- Maori freehold land in multiple ownership means Maori freehold land owned by more than five persons.
- Postponed rates means rates for which the requirement to pay is postponed.
- Remitted rates means rates for which the requirement to pay is remitted.

### 6.8.11 Rates Postponement - Postponement due to Financial Hardship

The objective of this policy is to provide a measure of rating relief to property owners where the full payment of rates would otherwise cause financial hardship.

Section 110 of the Local Government Act 2002 and Section 87 of the Local Government (Rating) Act 2002 provides for Council to postpone rates in cases of extreme financial hardship. The "Act" provides the necessary authority to grant relief after Council's full enquiry and on being satisfied that financial hardship exists or would be caused by non-postponement. Postponed rates are a charge against the property and must be paid either at the end of the postponement term or when the property is sold, whichever is the earlier. A delegated



authority has been granted to the Chief Executive to decide on qualifying cases within the policy guidelines.

A prerequisite is that Council establish base criteria against which the acceptability or otherwise of individual applications for rates postponement relief on grounds of hardship will be able to be judged.

It is proposed that, in the Council's opinion, "hardship" may occur and a measure of relief may be able to be given when all of the following aspects are present:

- The ratepayer is the property owner.
- The property is used by the ratepayer as his or her permanent place of residence.
- The property is used solely for residential purposes.
- The ratepayer has not less than 25% equity in the property.
- The total assets of the household are not more than those specified by the formula below.
- The total rate bill which would otherwise be payable, when compared with the total gross annual income for the ratepayer's household, exceeds the appropriate figure as calculated on the application form - (Rates Postponement Calculation Sheet).
- For those residential property owners whose disposable income is too low to clear both arrears and current year's rates within a 24 month period, Council will consider the postponement of all or part of the arrears that would not be cleared within a two year time frame. An agreement to regularly pay a set amount to cover both current and the nominated amount of arrears is assumed. Each application will be considered on its individual merits.

### **Total Assets Formula**

The total asset formula is:

No property owner(s) would be eligible for rates postponement relief if the total assets held exceed:

- the property to which the application for rates postponement relief relates;
- normal household chattels;
- a car;
- other assets of whatever nature (including cash and investments) with a total value of more than \$16,346 - (updated 1 July 2009, to adjust annually by CPI index).

### **Household Income Formula**

The annual income formula proposed would have three elements to calculate the value of rates postponed:

#### **(i) Initial Contribution**

It is suggested that an initial contribution towards the cost of rates is charged before any relief is calculated. This sum is likely to cover the cost of all utility services to residential properties calculated on a uniform charge basis. This amount is \$720 - (updated 1 July 2009).

The minimum rates payable figure is adjusted annually by the movement in the CPI.



## (ii) Additional Contribution

It is also suggested that the ratepayer should pay at least one-third of the remainder due, i.e. one third of the amount by which the rates exceed the initial contribution payable by the ratepayer.

## (iii) Abatement

Where the annual income is in excess of the household income limit, the postponed amount is reduced by \$1 for each \$20 of excess income. Council's current household income limit is \$15,465 - (updated 1 July 2009).

The household income limit is adjusted annually by the movement in the CPI and the updated figures are disclosed in the Annual Plan/Community Plan each year.

(The income limit before abatement applies is a 50% increase on Government income limits set for the Rates Rebate Scheme) and CPI adjusted since 1991 when the policy was first introduced.

The formula followed to establish the amount of postponed rates will be based on the above, combined with the general method used in the calculation of Government Rates Rebate.

## Applications for Rates Postponement

All applicants will be required to complete, in full, the application questionnaire annually. Staff will conduct an interview with the applicant, supported, where considered necessary, by advice and assistance from the Budget Advisory Service. It is proposed that the Deputy Chief Executive will make the decisions on eligibility for postponement under delegated authority from the Chief Executive.

The Deputy Chief Executive, Finance Manager and Revenue Manager may approve, in cases of extreme hardship, the postponement of rates in accordance with Section 110 of the Local Government Act 2002 and Section 87 of the Local Government (Rating) Act 2002, subject to regular reporting of decisions made under this delegation to the Finance & Audit Committee. When deciding that extreme financial hardship applies, consideration must be given to any guidelines approved by Council.

The financial circumstances of successful applicants will be reviewed each year during the period of postponement in order to ascertain whether the situation has changed. For this purpose it is likely that the application questionnaire and a declaration will be required annually.

If the financial circumstances of the person in receipt of rates postponement improves during the term that relief has been granted to the extent that the payment of rates in whole would not create a hardship, the remainder of the period of the postponed rates may be cancelled and the applicant could be required to pay all current rates, together with postponed rates and any accrued interest.

## Process and Period of Postponement

When an application for postponement is approved, it is suggested that the following provisions will apply:

- Postponement will first apply in the year a completed application is received. The amount of rates postponed will not incur additional charges.



- Instead of the Council requiring payment of the full annual rates bill in the year in which it falls due, the ratepayer will be required to pay to the Council the appropriate amount shown on the application form as the "Minimum Payment Scale". The balance of the total annual rates bill will be postponed.
- Any rates postponed shall be registered as a charge on the land.
- Interest may be charged annually on the postponed rates at 10% p.a. or at the same rate of interest that would be charged by the Council's bankers on any overdraft in the Council's name at the commencement of each rating year, whichever is less.
- The total amount of all postponed rates and charges will be postponed:
  - until the death of the property owner; or
  - until the applicant/occupier ceases to be the occupier (or one of the occupiers) of the land; or
  - until a date when the applicant/occupier ceases to:
    - use the property as his/her permanent place of residence; or to
    - use the property solely for residential purposes.
  - until a date upon which any of the statements certified by the applicant in the application for rates postponement are found to have been incorrect at the time they were made; or
  - until a date upon which all or any part of the rates due and owing by the property owner from time to time, and not postponed, become overdue - whichever occurs first.

In any case, rates postponement will be for a period of time not exceeding ten years from the date of application.

### **Any Part of the Postponed Rates May be Paid at Any Time**

Notwithstanding the above:

- The applicant may elect to "postpone" the payment of a lesser sum than that which he/she would otherwise be entitled to have postponed under this policy.
- Any part of the postponed rates and/or interest charges may be paid at any time.

### **Ratepayers to be Given Details of Postponed Rates Each Year**

Not less than once annually every ratepayer, a part of whose rates have been postponed under this policy, will be provided with:

- a statement showing the total annual rates currently due;
- a breakdown showing year by year the total amount of the postponed rates and interest charges.

Following the end of the financial year, a schedule of rates postponed will also be provided to Council (annually), listing all the properties for which rates postponements have been granted and which remain outstanding.

When rates are no longer eligible to be postponed on the property, all postponed rates will be payable immediately.



### **Prescribed Application Form**

The prescribed application form for rates postponement relief under this policy is available from the Revenue Manager.

### **Financing the Postponement Programme**

Adoption of this policy represents a formal recognition of a loss of cash flow (at least initially). However, once the programme has been in place a number of years, it might be expected that the collection of previously postponed rates will finance current applications.

To the extent of this programme's acceptance, it is proposed the current loss of income will be financed by Council's general cash resources and/or bank overdraft.

Note: This system complements the rates rebate programme and other schemes run by Government and voluntary organisations. The criteria regarding "household assets and income" have remained at the 1 July 1991 level, in line with the Government Rates Rebate Scheme having also been held at the levels applying at that date.

### **6.8.12 Rates Postponement - Farm Postponement Values**

The objective of this policy is that those properties that had farm postponement values as at 1 September 2003 and still meet the conditions and criteria of this policy assessed by Quotable Value New Zealand would continue to qualify for postponement with the sixth year of rates being remitted.

As from 1 July 2004, in accordance with Section 110 of the Local Government Act 2002, the Council may postpone rates under Section 87 of the Local Government (Rating) Act 2002 based on the following conditions and criteria:

- (a) That no properties be provided a farm postponement value other than those properties assessed on this basis at 1 July 2003.
- (b) That farm postponement values are assessed by Quotable Value NZ as part of the three yearly revaluation.
- (c) That a farm postponement value will be assessed where a property use meets the criteria as defined in Section 22 of the Rating Valuation Act 1998 (now repealed).
- (d) That where a property is no longer eligible to receive a farm postponement value (in accordance with the definition c) above), or where a property is sold after 1 September 2003, and where a farm postponement exists on the Rating Information Database, the farm postponement values will be removed immediately for rating purposes.

The effect of the Rates Postponement - Farm Postponement Values Policy is to postpone rates on qualifying properties based on the difference of rates calculated between the full market value and the farm postponement value.

Where a property qualifies for farm postponement values rates will be postponed up to a maximum of 5 years with sixth year of rates postponed on a given property being remitted. When a property no longer qualifies for farm postponement values, all outstanding postponed rates will be required to be paid immediately.

This policy will be terminated from 30 June 2010 and no properties will be provided with a farm postponement value as from 1 July 2010.



### **Ratepayers to be Given Details of Postponed Rates Each Year**

Not less than once annually every ratepayer, a part of whose rates have been postponed under this policy, will be provided with:

- a statement showing the total annual rates currently due;
- a breakdown showing year by year the total amount of the postponed rate and interest charges.

Following the end of the financial year, a schedule of rates postponed will also be provided to Council (annually), listing all the properties for which rates postponements have been granted and which remain outstanding.

## **6.9 Review of Rating System and Differentials**

The current Council policy is that the Revenue & Financing Policy, rating system and the differential system be reviewed every three years with the LTCCP.

Council reviewed its Revenue & Financing Policy and rating system for the 2009/10 rating year on 26 September 2008 (as part of the 2009-19 LTCCP) and decided to retain the land value general rating system with differentials (no change from 2008/09) for the general rate for the 2009/10 rating year and beyond.

Council resolved that when introducing any new rates in the future, that these would be based on capital value. This would have the effect over time of reducing the incidence of rating on land value and change the over all percentage split between land value and capital value.

Council has also resolved to charge targeted rates as outlined earlier in this policy in Section 6.7.6.

Council has resolved not to levy any uniform annual general charges.

## **6.10 Delegation of Rating Functions, Powers and Duties**

Section 132 of The Local Government (Rating) Act 2002 allows Council to delegate the exercise of functions, powers or duties conferred by this Act to the Chief Executive or to any officer specified. Council has delegated the responsibility of administering the rating function to the Deputy Chief Executive, Finance Manager and Revenue Manager. Section 132 prevents Council from delegating:

- (i) any of the powers to set and assess rates,
- (ii) any of the duties relating to the setting and assessment of replacement rates, and
- (iii) the power to delegate.

The delegation of powers from Council to the Chief Executive and staff is further outlined in the Delegation to Officers Council Policy.



## 6.11 Three Yearly Revaluation of Property Values

The property values on which the Council bases the general rates calculation are independently revalued every three years, with the next revaluation on 1 September 2009 for effect in the 2010/11 rating year.

The revaluation may affect the amounts assessed against individual rating units within each differential rating sector relative to other rating units in that sector.



### APPENDIX 1 - Business Improvement District



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