

## Topic 7 - Targeted rate – Forestry

### Recommendations | Ngā tūhunga

That Kaipara District Council:

- a) Approves that the forestry roading targeted rate be calculated on hectares rather than land value, for a property with the category code FE, in the 2024/2027 Long Term Plan.
- b) Approves the additional budget of up to \$15,000 be included in the 2024/2027 Long Term Plan to measure the amount of planted area on each identified property.
- c) Notes that \$80,000 is the estimated cost to identify and measure other blocks of forestry that sit within other categories of land; and that to keep rates affordable this budget/work is not included in the 2024/2027 Long Term Plan.

***These recommendations do not change what was proposed in the Long Term Plan 2024-2027 Consultation Documents.***

### Introduction:

Kaipara District 'Roadmap to Recovery' Long Term Plan 2024-2027 Consultation Document said:

**Option 1: Change the way forestry roading targeted rates are calculated based on hectares rather than land value**

**Option 2: Status Quo**

### Targeted rate – Forestry

#### Submissions are summarised below:

Some submissions expressed their opposition to the Forestry Roding Targeted Rate, stating that it is unfair and inequitable to single out the forestry industry for road maintenance costs. They argue that other industries, such as dairy, also cause road wear and should be included in the targeted rate. Additionally, they suggest that the rate should be based on the land area dedicated to forestry rather than land value to ensure fairness.

**Preferred option:** 48.7% of participants favoured changing the rate calculation to be based on hectares rather than land value, while 22.6% preferred to keep the status quo.

#### Observations for ratepayers vs non-ratepayers:

- 68.2% of those who pay the targeted rate supported changing to a hectare-based calculation, while 22.7% preferred the status quo, and 9.1% did not know or did not state a preference.

Kaipara District Council, Long Term Plan 2024—2027, Summary of submissions  
 Table 15 offers further insights into public opinion concerning the proposed changes to the calculation of the targeted forestry road rate, segmented by whether participants are currently paying the rate.

Should we change the way the targeted forestry roading rate is calculated?	Do not know	Do not pay the targeted rate	Pay the targeted rate	Total
Apply Hectare-based Rate	36.7% 22	50.7% 75	68.2% 15	48.7% 112
Do not know	43.3% 26	25.7% 38	9.1% 2	28.7% 66
Status quo	20% 12	23.6% 35	22.7% 5	22.6% 52

Table 15: Should we change the way the targeted forestry roading rate is calculated? Sorted by targeted rate area.

The key themes from the submissions received included:

- **Fairness concerns:** Respondents expressed opposition to the Forestry Roading Targeted Rate, stating that it is unfair and inequitable to single out the forestry industry for road maintenance costs. They argued that other industries, such as dairy, also cause road wear and should be included in the targeted rate.
- **Base rate on planted area:** Some respondents suggested that the rate should be based on the land area dedicated to forestry rather than land value to ensure fairness. Specifically, comments were around basing the charge on the proportion of forestry on the land.

#### Comments from the submissions received included:

TOPIC 7. FORESTRY	50
Base rate on hectares planted	9
Opposed to targeted rate/how rate is calculated	7
Crop and livestock farmers have greater impact	5
Opposed to rating on land value/not all planted	4
Support targeted rate for forestry	4
Forestry not main source of road degradation	3
Opposed to rating on permanently planted areas	3
Targeted rate with RUC means charged twice	3
Ensure all forestry blocks are rated	2
Responsibility is with transport company	2
Will impact the viability of forestry	2
'On farm' blocks of >= 30ha to be rated	1
All new plantings must be reported to council	1
Base rate on amount harvested	1
Base rate on exotic hectares planted	1
Concern rate would not be used for roading	1
Rate according to distance from Marsden Point	1

## **Options and Assessments**

### **Option One – Change the way forestry roading targeted rates are calculated based on hectares rather than land value**

This option means that the rate is not impacted when district revaluations occur and the rate will no longer fluctuate in response to a change in land value. Some ratepayers will see an increase in this rate and some will see a decrease as the burden is re-distributed.

There was most support from the affected ratepayers for this option. This is the recommended option.

### **Option Two – Status Quo**

This option means that the rate would continue to be calculated based on land value and that a change in land value would impact the amount of rate being charged to properties.

As part of the consultation process each of the property owners charged the forestry roading targeted rate were sent individual correspondence advising of what the impact of the proposed change would mean for them.

The amount budgeted to be collected in the 2024/2025 year is approximately \$510k (including GST).

## **Impact of recommendation on the LTP (financial and non-financial)**

As part of the consultation process, each of the property owners charged the forestry roading targeted rate were sent individual correspondence advising of what the impact of the proposed change would mean for them.

If the recommendation is accepted properties currently charged the forestry roading targeted rate will in future be charged the rate based on hectares of the entire property rather than land value. The amount of rates collected for this activity will not change but the rates burden will be re-distributed amongst those targeted for the rate.

With regard to the submissions requesting that the targeted rate extends beyond the current Forestry Exotic (FE) category of properties, the report that was presented to the Council LTP briefing on 11 October 2023 discussed alternative options for funding the roading budget to cover the additional costs of repair for damage attributed by heavy vehicles. It considered including properties with other category codes, such as dairy or mining. The Council gave direction at that time to consult with the community around changing to hectares for those properties that have the FE code only. It would not be appropriate to extend the catchment to include additional categories in this targeted rate because this group was not consulted with.

It has been highlighted previously that there are limitations on the data used to identify properties that are to be targeted with the rate. Like other councils that have a rate for forestry, Kaipara District Council rely on the District Valuation Roll (DVR), which is maintained by our Valuation Service Provider (QV). Other Councils use the land value or capital value to calculate the forestry rate. The properties with category code FE in the DVR are targeted with the rate. Category codes are applied to properties in accordance with Valuation Rules and are based on the highest and best use of a property. There are properties in the district that are planted in exotic forest which haven't been identified as having a highest and best use of FE and therefore

aren't targeted with the forestry roading targeted rate. An example of this would be a large farm that is predominately used for dairy, with a small portion planted in forestry. The highest and best use of the property is dairy and on that basis the category would not be changed to FE and the property would therefore not attract the forestry roading rate.

Currently there are 126 properties with the category FE in the district. These properties have a total land value of \$155m and total hectares of 42k. Some submissions have indicated that only the area planted in forestry should be targeted for the rate and that the accuracy of the data must be improved to address inequity concerns. QV have advised that during the recent revaluation process they undertook a three-step verification process that involved using aerial maps, owner/company name searching and drive-by inspections which identified some additional properties that have had the FE category added for the coming year. They have advised that they will re-run this process before 30 June as part of the overall maintenance of the DVR with more of a focus on identifying further forestry blocks that may have been missed previously.

If Council decide to calculate the forestry roading targeted rate on the planted hectares of the FE properties only (rather than the entire unit) a further property review will be required. QV would be able to undertake this work. It would take longer than the maintenance review mentioned above and there would be additional cost involved. As an estimate, based on the 126 properties categorised as FE the cost would be in the vicinity of \$15k.

There is the question of other properties whose highest and best use may be something other than FE, like the earlier example of a dairy farm where a small portion of the land is planted in exotic forest but the highest and best use is dairy so it doesn't attract the forestry roading rate. To address fairness concerns these pockets of forestry could also be identified so that the portion of forestry can be measured, apportioned separately so that part of the property can have the FE code assigned and can then also be targeted with the rate. There will be additional administration, time and resource required to implement this. Given the limitations of accurate mapping (some maps are as old as 2016) and the size of the district it is unknown how successful this process would be. This level of review would cost in the vicinity of around \$80k and would result in additional workflow for the revenue team who have reduced capacity as a result of the recent restructure.

This process has identified that if the rate is to be calculated on hectares rather than land value the work needs to be done to measure the amount of planted hectares. By approving the change to this rate Council is also being asked to approve the additional work to be done for the existing properties with the FE category (approximately \$15k).

Council needs to identify if it wants the extra work done to identify and measure other blocks of forestry that sit within other categories of land (approximately \$80k).

### **Fit with Long Term Plan**

The recommendation is consistent with what the Long -Term Plan 2024-2027 consulted on. There was support from affected ratepayers to change the calculation basis from land value to hectares.

### **Policy Implications**

The Revenue and Financing policy will need to be updated to reflect the final decision of Council.

**Conclusion drawn:**

Council considered various options around the forestry roading targeted rate when it was presented with an independent report at the Long Term Plan briefing 11 October 2023. Council wanted to hear from affected ratepayers to gauge whether there would be support for changing from a land value based calculation to one of hectares.

The consultation process showed most support for a change to calculating the rate on hectares rather than land value.