

Finance - Rating - Capital Value rating instead of Land Value system

Recommendation | Ngā tūtohunga

That Kaipara District Council:

- a) Notes residents have requested that Council review the valuation system that allocates the general rates (land versus capital value).
- b) Instructs staff to review the valuation system that allocates the general rates, analysing the rates burden and provide funding of \$25,000 to progress this.

These recommendations do not change what was proposed in the Long Term Plan 2024-2027 Consultation Document but this suggestion does have merit to and potentially implement before the next LTP.

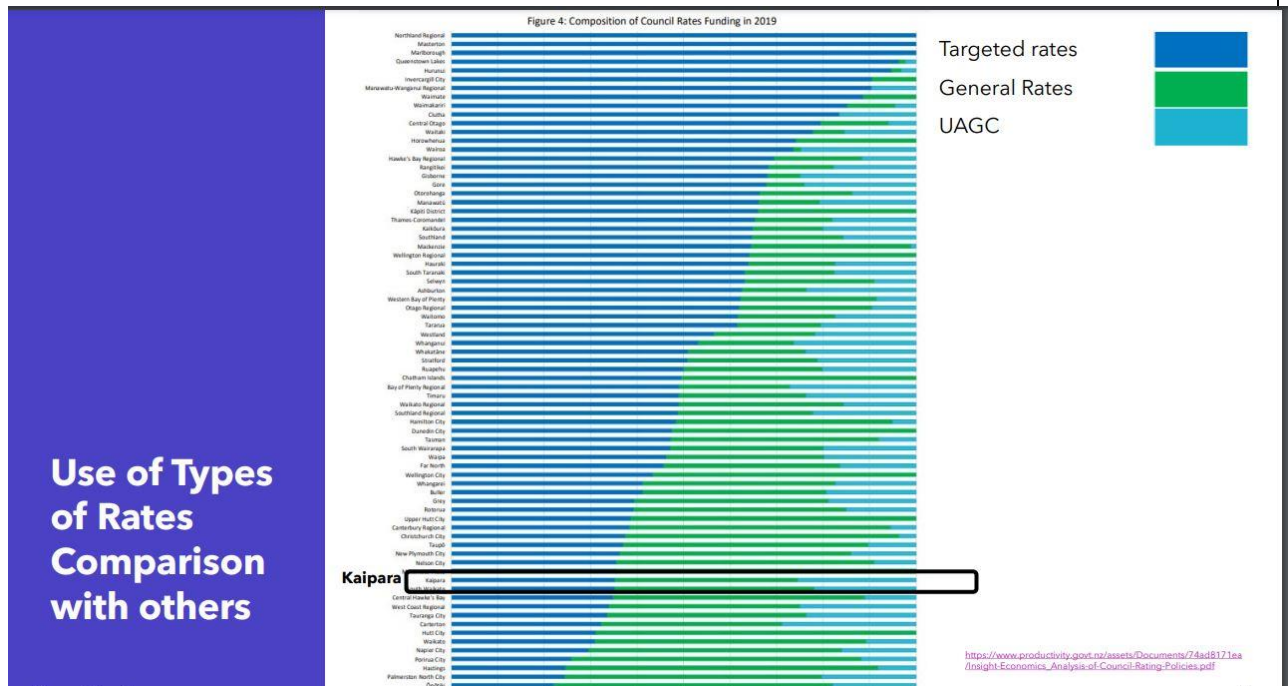
Introduction:

Most Councils have moved to the capital value system (>80% of Councils), rather than land value for allocation of general rates. It is thought this valuation system has correlation to wealth, and therefore affordability. The capital value system does tend to benefit those with lower value improvements but doesn't necessarily relate to the benefits received.

Council took an overview of potentially changing valuation systems in October 2023 but the view at that time was that the introduction of Capital Valuation system may mean that lower valued properties were not paying a reasonable amount for the services they received. Staff were directed to first look at targeted rates.

TOPIC
<p>Submission of Mangawhai Matters summarised below:</p> <ul style="list-style-type: none"> ▪ Capital Value ensures a better representation of a property's overall economic contribution to the community and believe this will result in a fairer distribution of the rate burden. ▪ Assumption that differential would be continued on properties other than residential and small lifestyle. ▪ One third of properties paying too much and one third not enough.
<p>Options and Assessments</p> <p>Option 1 - To review the valuation system during 2024/25 looking at the capital value system for distributing general rates.</p> <p>Kaipara District Council looked at the two valuation systems in October 2023. The capital value system largely resulted in movement of rates from pastoral and dairy land to be primarily borne by residential and commercial properties, as these have high improvements.</p> <p>The consultant that helped Council in October believed Council needed to have a good base of targeted rates charged so that lower value properties shared the rates more fairly, if the Council does change to a capital valuation system. In this year, Council is looking to introduce a uniform library and parks rate.</p>

Other Councils have introduced a number of uniform charges to make sure there is a good sharing of the costs allocated to those that get the benefit.



The introduction of higher uniform charges tends to flatten the rates so that higher value homes are paying a more appropriate share of the rates and ensuring lower value properties are not paying an inappropriately low share of the rates.

Revaluations have been completed in 2024. Consultant advice at the time is that reviewing this valuation type needs a lot of analysis, consultation and should be started early in the budgetary process.

It is also best completed for comparison in a year where no revaluation is being processed. Staff are suggesting 2024/25 year for evaluation and analysis.

This is not the time to change our valuation system, given we have a cost of living crisis and proposed high rate rises. The change in valuation system would cause further angst amongst our residents. Given the significant and varied impacts the Council needs more detail and consideration of all the implications and that's why the recommendation is to investigate rather than implementing immediately. There are legal implications if we don't follow due process and consult fully on this potential change. Council needs to ensure the community understands. It needs a lot of evaluation and consultation, and this could be started in late 2024.

There are benefits of both systems and these need to be evaluated. The district is growing and Council does need to consider which system will be the fairer in the future. Guidance from consultants will be required and this will need to be budgeted for, estimated at \$25k.

Option 2 - Status quo – Use land valuation for future years

- Land value tends to mean the largest land parcels with the most value bear most of the costs.

- With a capital value system the largest disadvantage is that the incidence of costs can fall primarily on those with high value properties.
- It could also be a disincentive to invest in property improvements.

The tools Council has to use to mitigate this are uniform charges and remissions.

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

Staff support Mangawhai Matters suggestion to further reviewing a potential change of the valuation system.

Policy Implications

This is a significant item and cannot be introduced at this stage in this LTP process. Staff are investigating whether implementation of a new valuation system triggers an LTP amendment if introduced between LTP years.

Conclusion drawn:

Both capital and land value systems are tools to spread the general rate costs. The costs that are rated for by general rates comprise policy and district planning, emergency services, economic development, internal services, community development, governance, roading and footpaths, refuse and recycling and to date, currently libraries and parks and open spaces.

Where fees and charges don't cover costs, general rates pay for part of the service of resource consents and building consents, and 5% of wastewater.

There is a need for this evaluation of a capital value system to be pursued to see if it can be the right system for our Council now. The differential which is part of the process will also be examined at this time.