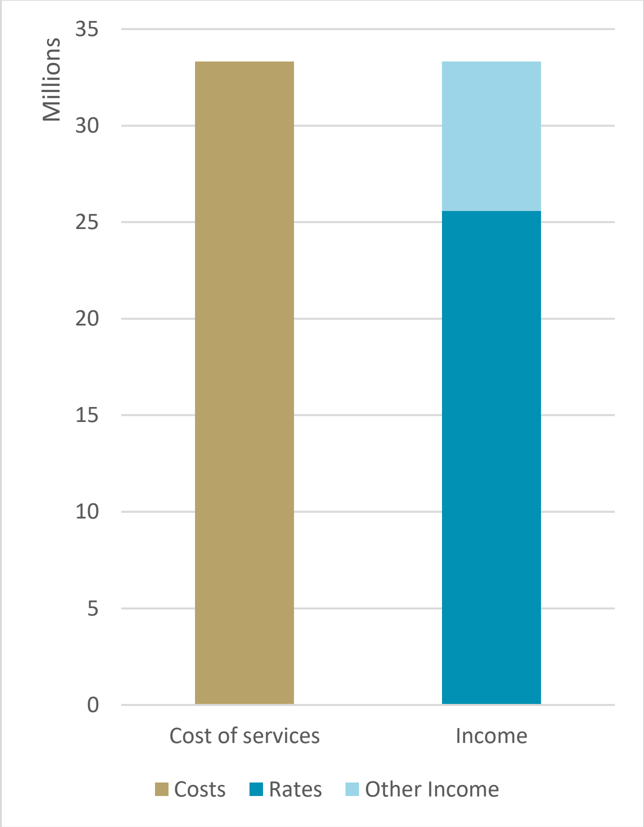
Rates Review 2023 Consultation Frequently Asked Questions

What are rates and how are they set?

Rates are taxes set by councils to recover the cost of services provided by the council to the community each year, and to maintain the council's assets such as roads, pipes, and buildings. Rates do not reflect services to individuals or individual properties, but the whole community. They are a mechanism to provide a community with services and amenities that contribute to the social, environmental, economic, and cultural well-being of everyone, and help us all to flourish.



Other income such as fees, charges, grants, and subsidies are deducted from the cost of services to get the total amount that Council needs to charge in rates.

The budgets in the Long-Term and Annual Plans set the total rates required to pay for services. This is the **total amount paid by the whole district**.

The Revenue & Financing Policy ("rating model") sets how the total rates are applied to the community, and groups within that community. This is the **proportion paid by each ratepayer**.

Rates can be thought of as a pie, how much pie everyone is allocated is down to the size of the pie (total rates for the district), and how the pie is sliced/shared (rating model).

South Wairarapa District Council (SWDC) also collects rates on behalf of Greater Wellington Regional Council (GWRC). We are not responsible for setting the GWRC rates and this review excludes all GWRC rates. Please refer to the back of your current rates notice if you are unsure of which rates are SWDC and which are GWRC.

What types of rates are there?

There are two types of rates, general and targeted.

General rates pay for services where Council considers the benefits and costs are to the whole district. General rates are charged across the district through a mix of a fixed charge, called the Uniform Annual General Charge (UAGC), and a property value-based charge called the General Rate.

Targeted rates pay for services where Council considers the benefits and costs are to groups of ratepayers. Targeted rates are charged to those groups of ratepayers through a mix of fixed charges, and/or value-based charges.

Some services are paid for by a mix of general and targeted rates because Council considers the benefits & costs are to the whole district but more for groups of ratepayers. For example, Council is proposing that urban footpaths benefit urban ratepayers the most (90%) and have a small benefit (10%) to the whole district.

Currently general rates make up 53% of SWDC's total rates, with the other 47% targeted.

The model that Council have proposed will have 43% general rates, and 57% targeted.

What are land value (LV) and capital value (CV)?

The capital value of a property is made up of land value and improvements value.

For example, if a property has a land value (LV) of $250,000 and has improvements (e.g. a house) worth $550,000 on it, the capital value would be $800,000.

Every three years all properties in the district are revalued independently by external valuers, for SWDC this is Quotable Value (QV). You can object the value calculated by QV by using their disputes process. Revaluations are based on market values and use nearby sales information to assist in determining the capital values. As there are few examples of bare land sales, the value of improvements is deducted from the capital value to decide the land value.

You can see your land and capital values on your rates notices, or look it up in the Rates Search on our website.

The next general revaluation for South Wairarapa is due to be publicly released to property owners in February/March 2024 by Quotable Value. As we do not know what these new valuations will be, all modelling has been done using the current land and capital values used for the 2023/24 rating year. The new valuations will be used for the 2024-2034 Long Term Plan.

How do land and capital values affect rates?

Rates that are applied based on a property's value are either applied to every dollar of land value, or every dollar of capital value.

To calculate the rate, the total amount to be collected is divided by the whole district's rateable value. This rate is then multiplied by each property's value to get the amount that property will pay. This means that each property is paying a share based on how much that property's value is, out of the whole district's rateable value.

South Wairarapa District Council currently uses land value for its General Rate and is proposing to change to use capital value. This is because it considers the total (capital) value of a property, including the improvements (e.g. buildings), to be a better representation of ability to pay. Under capital value models, properties where a bigger part of the total value is made up of improvements usually pay a higher share of rates.

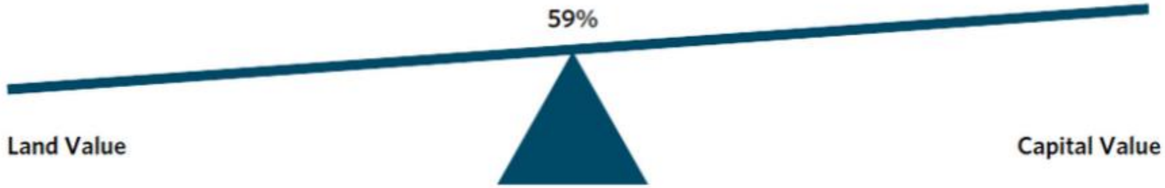
Take an example of two houses in a town, they both have a land value of $300,000, but one has a small cottage worth $200,000 and the other a large house worth $700,000. Under a land value system both properties will contribute the same amount of the General Rate, but under a capital value system the large house will contribute more to the General Rate than the cottage.

Potential advantages of Capital Value:

- Considers the full value of the property, including multiple users of a single property.
- Captures changes to the district's rating base from growth, e.g. development of bare land.
- Usually, capital value varies less at each revaluation.

Land or capital value, what is the difference in South Wairarapa?

The total land value in the SWDC district is currently 59% of the total capital value.



Assuming no other changes (e.g. total amount of rates, change in property valuations) to the General Rate:

- If your property's land value is 59% of its capital value, then using LV or CV would make no difference to your General Rate.
- If your property's land value is less than 59% of its capital value, then using CV would mean you contribute more to the General Rate.
- If your property's land value is more than 59% of its capital value, then using CV would make that you contribute less to the General Rate.
- The further your land to capital split is from the district split of 59%, the more difference using CV would make to your General Rate contribution.

To work this out for your property:

1. Find your land and capital values, either on your rates notice or via the Rates Search on our website.
2. Divide the land value by the capital value and then multiply by 100 to get the percentage.

For example, if your land value is $175,000 and capital value is $500,000, then 175000 divided by 500000 is 0.35, multiplied by 100 gives 35%.

Revaluations are completed every three years by QV, and are next due in early 2024, for the moment we must use current values for our calculations.

Will the rural/urban share of rates change?

Rural properties make up 70% of SWDC's total land value, and urban make up the other 30%.

Rural properties make up 60% of SWDC's total capital value, and urban make up the other 40%.

If SWDC adopts capital value for its General Rate, rural properties, as a total, will pay for 60% of the total General Rate, and urban 40%.

Remember, we're only looking at the General Rate here, which makes up 32% of SWDC's overall rates. Each property also has targeted rates such as Roading, Water, Refuse, etc. so we're not saying that rural properties will be paying 60% of SWDC's total rates.

To simplify the General Rate, any activities that are targeted to urban or rural properties will be separated into targeted rates. Council proposes one General Rate is applied evenly across the district, with capital value taking care of the differences between properties.

What's going on with the UAGC?

Currently SWDC charges the UAGC to every rating unit in the district. However, some rating units have multiple homes, with all of them sharing the one UAGC charge. Council is proposing to charge each home a UAGC, which means that each home is paying the same charge.

For example, a retirement village with twenty villas currently pays one $1,005 charge split by twenty, so $50.25 per villa. Under the proposed UAGC each villa would be charged the full amount, the same as a home on its own rating unit.

Shouldn't businesses pay more than residents?

Capital value rating models consider the (usually) higher capital value of businesses, so they (usually) pay a higher proportion of the General Rate.

Additionally, Council propose that commercial properties should pay for 80% of Economic Development activities in South Wairarapa, through a targeted rate.

Council would like to know if properties operating as paid short-stay accommodation should also contribute to the costs of these activities.

What's happening with roads?

Council proposes to introduce a targeted rate for roading costs, removing it from the general rates. The roading rates will be charged two ways, 30% will be a fixed charge to every rating unit across South Wairarapa, & the remainder charged against capital value of each property.

What's happening to the rural roading reserve?

Council proposes to change the Rural Roading Reserve to an Infrastructure Emergency Resilience Fund. This proposed reserve would be funded by a targeted rate across the whole district. This change recognises that roads have benefits for the whole community.

Who will pay for footpaths?

Council proposes to change the way footpaths are funded. This change recognises that urban people benefit more footpaths than those who live rurally.

Reform – what will happen if it goes ahead & if not?

Council have assumed for this rating review, effective from 1 July 2024, that the multiple reforms currently underway will not change this review.

What about water races?

This rating review is not intended to address water race users. Consultation on water races will take place as part of the 2024 to 2034 Long Term Plan.

When will this change my rates?

The outcomes of this rating review will be effective from 1 July 2024. Examples given have been based on budgets from Annual Plan 23-24 and current property values. Examples cannot be taken as indications of rates charges for the 2024/25 year and onwards.