Memo

To: Finance and Performance Committee members

From: Deborah Acott, Head of Rates, Valuations and Data Management

cc: Sue Tindal, Group Chief Financial Officer

Date: 31 May 2017

Subject: Fifth Quarterly Report on Non-Rateable Property Rating Treatment

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1. Purpose

The purpose of this memo is to inform the Finance and Performance Committee on the progress of the programme of work to review the rating treatment of current non-rateable properties across Auckland. This quarterly update has previously been presented at the Finance and Performance Committee. However, as we are now on our fifth update and the work is on track, the update will continue to be provided by memorandum until December, when a full report will be presented to the committee.

2. Executive Summary

The programme of work to review more than 10,500 non-rateable properties is on track to be completed by February 2018. The Local Government (Rating) Act 2002 (LGRA) defines a range of properties as non-rateable including churches and educational institutions. However, any portion of these properties used for other purposes is liable for rates.

The table below shows the work which needs to be undertaken and what has been completed so far, along with the nett difference in rates after adjustments are made. As at 24 May 2017, 8,986 properties have been reviewed, with 6,947 confirmed as non-rateable and 24 confirmed as fully rateable. Of the properties reviewed 2,015 require more detailed investigation. The total nett change in rates amounts to an increase of $397,610.

Legacy	Non-rateable properties	Total reviewed	Confirmed non-rateable	Confirmed rateable	Require more investigation	Balance for review	Nett $ rates changes
ACC*	3,811	3,011	2,140	10	861	800	12,792
MCC	2,496	2,299	1,835	5	459	197	62,404
NSCC	1,666	1,563	1,304	3	256	103	314,717
RDC	1,412	1,083	894	1	188	329	963
WCC	1,123	1,030	774	5	251	93	6,734
Total	**10,508**	**8,986**	**6,947**	**24**	**2,015**	**1,522**	**397,610**

*ACC includes the former Franklin and Papakura District Councils

3. Progress Update

Since the last report in March 2017, the review has focussed on 959 properties used for religious purposes. The assessment of the rateability of these properties is more complex than many of the other types of property being considered so progress has not been as immediately visible as has previously been the case.

At 24 May 2017 a total of 219 properties had been reviewed. We have been able to confirm that:

- 50 are correctly non-rateable, and
- 169 require further investigation (with 21 potentially part or fully rateable)

4. Religious Worship

Properties used for religious purposes can only be non-rateable where the land is used for worship, theological training or education (e.g. a Sunday school). Our legal advice is that areas used for administration, meeting rooms, opportunity shops and residences are not being used for worship and should be rateable.

Assessing non-rateability for religious worship requires an analysis of land use and, in many cases, can only be confirmed by an on-site inspection. Other categories of non-rateable land are more straightforward to review as they require an overall assessment of land use and/or the entity using it.

We commenced this phase of the review by requesting information about types of land use through a form sent to the owners of properties that are currently non-rateable for religious purposes. This data is being analysed in conjunction with floor plans and publicly available information about activities on these properties. Where rateability is not able to be confirmed, an inspection is arranged.

5. Commercial Properties

Following discussion on businesses operating at residential properties at the Finance and Performance Committee meeting in May 2016, our contract valuers, during the course of their inspections, have been specifically looking for houses with signage indicating a property may be used for purposes other than a residence. This occurs most frequently in 'mixed use' locations, often on the fringe of commercial town centres and along main arterial roads.

As at 31 December 2017, we had identified a total of 39 properties which fit the above criteria. Due to these changes, we identified approximately $19,000 of additional rates revenue.

We have now identified at least 32 further properties which should have a split business and residential rating. The increase in revenue from correctly rating them will be approximately $18,600.

6. Local Government Rating Conference

A rates team member gave a presentation on the non-rateable project at the recent Local Government Rating Conference which was attended by rates staff from more than 50 local authorities. It provided an opportunity to discuss issues in the way non-rateability is currently applied across the country.

7. Conclusion

The body of work being undertaken to review the treatment of Auckland Council's non-rateable properties is on track to be completed by February 2018. If there are any queries on the subject, please contact me via email on deborah.acott@aucklandcouncil.govt.nz or mobile phone on 021-636-046.