
Rating of online accommodation providers

Purpose

1. Provide advice on options for rating the online accommodation sector.

Summary

2. When the council made its original decision to introduce the Accommodation Provider Targeted Rate (APTR) it was acknowledged that online accommodation providers derive similar direct benefit from Auckland Tourism, Events and Economic Development's (ATEED) expenditure on visitor attraction and major events as traditional accommodation providers. Online providers also generally pay residential rates, which are significantly lower than business rates. Officers were directed to report back on options to include the online sector. In doing so officers have looked at the extent to which online accommodation providers are operating commercially and whether they should also be rated as businesses.
3. Online accommodation, such as Airbnb and Bookabach, are estimated to generate 15 per cent of accommodation sector revenue and this is growing. While traditional providers pay business rates and the APTR, online providers pay residential rates and do not pay the APTR. Both online and traditional accommodation providers benefit from council services and in particular ATEED's investment in visitor attraction and major events.
4. While online providers are in competition with traditional providers many do not generate material revenue. Analysis shows the crossover point where the revenue gained from using a property for short term lets exceeds the annual revenue gained from using the property as a long term rental is around 4 ½ months (135 nights) per annum.
5. For equity reasons online providers who let an entire residence for more than 135 nights per annum should be rated as business and be liable for the full APTR where applicable. The current approach has equity issues as business rates are around 2.7 times higher than residential rates. Additionally, online providers who let an entire residence for less than 135 nights also cause additional demand on the council's transport infrastructure and benefit from ATEED's investment in visitor attraction and major events and lower differentials, i.e. at a proportion of the full rate, should apply based on commercial viability.
6. Online providers who let a part of their residence, such as a bedroom should be treated in line with council's existing practice:
 - increased business rates only apply where a clearly identifiable part of the property is being used for accommodation purposes
 - the APTR does not apply.
7. Basing the differential categories on booked nights best reflects the intentions of the property owners, their ability to afford the rates, and provides a connection to the extent to which they would benefit from council services and in particular ATEED's expenditure on visitor attraction and major events. Other potential differentiating factors considered were advertised availability and the provider's intentions. These were rejected as the first has a weak link to commercial viability and benefits received while the latter is harder to determine and is subject to manipulation.
8. Application of increased rates to the online sector will ensure they are treated equitably and reduce the rates burden on other business and traditional accommodation providers.

Background

9. In June 2017 the governing body, as part of the final Annual Budget 2017/2018, agreed to a targeted rate on accommodation providers to fund a proportion of the visitor attraction and major events expenditure of Auckland Tourism, Events and Economic Development (ATEED). The rate is applied to properties that are business rated and classified in council Rating Information Database as an accommodation provider. This definition has meant that online providers have not been subject to this rate and they pay residential rather than business rates.
10. Feedback from traditional accommodation providers included concern about the competitive advantage this gives to online providers. The most obvious example of inequity is serviced apartments within hotel buildings. These apartments are not part of an established traditional accommodation provider and are not subject to business rates or Accommodation Provider Targeted Rate (APTR). In response to this feedback the governing body requested officers report back on a proposal for the inclusion of online accommodation providers.

Online sector

11. Analysis in this report has been based on anonymised data provided by AirDNA which is based on Airbnb listings. Data is unavailable from other providers but officers believe as Airbnb is a large player in the market then it is representative of the market.
12. The online sector includes part (bedroom or couch) and whole residences that are available for multiple short term lets. These properties are currently rated as residential. These properties are primarily advertised through websites such as Airbnb and Bookabach.
13. In the twelve months ending 31 August 2017 the number of active¹ Auckland property listings on Airbnb has increased from 5210 to 12370. Events held in Auckland in the last 12 months may have contributed to the significant rise in listings.
14. Fresh Info estimates the total forecast revenue for the accommodation sector as \$766 million in 2017. Analysis of Airbnb listings shows generated revenue of \$113 million or 15 per cent of total accommodation sector revenue in the last twelve months. However, when looking at listings that have been active for at least the full 12 months revenue was \$64 million or 8 per cent, which shows that while the online sector is small it is experiencing rapid expansion. Whole residence listings in the online sector generally have lower occupancy rates of 31.8 per cent than their traditional counterparts (69 per cent motels, 82 per cent hotels²).

Other councils

15. Queenstown Lakes District Council (QLDC) rates online accommodation providers based on their intended booked nights. QLDC requires registration and for some categories resource consent. The categories QLDC uses are:
 - less than 28 nights is residential
 - 28 to 179 nights is mixed use (defined as 25% commercial and 75% residential)
 - 180 or more nights is a separate accommodation differential, set at the same level as commercial
16. Rotorua Lakes Council's current rating policy allows properties offering short term accommodation to be rented for a total of 100 days before becoming liable for a business rate. There is no mixed use category. Business properties pay 1.72 times the residential rate and are also liable for business and economic development targeted rates.

¹ Active listings are defined as having at least 1 booking in the previous 12 months

² Source Commercial Accommodation Monitor – September 2017 (Auckland)

Consideration of statutory criteria

17. The council is required to consider and consult on any changes to funding for services. This proposal considers the sources of funding for the application of general rates and the APTR to online accommodation providers against the statutory criteria in section 101(3) of the Local Government Act 2002. A full analysis against the statutory criteria is set out in Attachment B Assessment against statutory criteria – General Rate and Attachment C. Assessment against statutory criteria – APTR.

Options

18. Options for consultation with the community on the changes to rates charges for online accommodation providers are presented in two parts set out in the table in Attachment A: Options Table

a. General rates

The proposal is to introduce a graduated differential for online providers for general rates.

19. The table below summarises the estimated change in general rates for different value properties as a result of the proposal assuming all online providers are able to be identified. The extent to which rates will change will depend on how many online providers are identified.

Property Value	Business ratepayers	Online accommodation providers		
		<28 booked nights per annum	Between 28 and 135 booked nights per annum	More than 135 booked nights per annum
\$0.75m	-\$46 (-1%)	\$0 (0%)	\$618 (35%)	\$2,367 (132%)
\$1.08m	-\$66 (-1%)	\$0 (0%)	\$890 (37%)	\$3,408 (142%)
\$1.5m	-\$91 (-1%)	\$0 (0%)	\$1,236 (39%)	\$4,733 (150%)

b. Accommodation Provider Targeted Rate

The proposal is to introduce a graduated differential for online providers for the APTR.

20. The table below summarises the estimated change in APTR for different value properties as a result of the proposal assuming all online providers are able to be identified. The extent to which rates will change will depend on how many online providers are identified. These will apply in addition to the general rates changes noted above.

Property Value	Zone ³	Traditional accommodation provider	Online accommodation providers				
			Serviced apartment	<28 booked nights per annum	Between 28 and 135 booked nights per annum		More than 135 booked nights per annum
		Serviced apartment			Stand-alone residence	Serviced apartment	Stand-alone residence
\$0.75m	A	-\$970 (-23%)	\$0 (0%)	\$797 (45%)	\$478 (27%)	\$3,189 (178%)	\$1,912 (107%)
	B	-\$485 (-23%)	\$0 (0%)	\$398 (22%)	\$239 (13%)	\$1,593 (89%)	\$956 (54%)
\$1.08m	A	-\$1,397 (-23%)	\$0 (0%)	\$1,147 (48%)	\$688 (29%)	\$4,588 (192%)	\$2,753 (115%)
	B	-\$699 (-23%)	\$0 (0%)	\$573 (24%)	\$344 (14%)	\$2,294 (96%)	\$1,376 (58%)
\$1.5m	A	-\$1,940 (-23%)	\$0 (0%)	\$1,593 (50%)	\$956 (30%)	\$6,372 (202%)	\$3,823 (121%)

³ The accommodation provider targeted rate is set at different levels across 3 different zones, at higher levels in Zone A (Albert-Eden, Devonport-Takapuna, Mangere-Ōtāhuhu, Maungakiekie-Tamaki, Ōrākei, Waitemata), at lower levels in Zone B (Henderson-Massey, Hibiscus and Bays, Howick, Kaipātiki, Manurewa, Ōtara-Papatoetoe, Puketāpapa, Upper Harbour, Waiheke, Whau), and no charge for Zone C (Franklin, Great Barrier, Papakura, Rodney and Waitakere Ranges)

Property Value	Zone ³	Traditional accommodation provider	Online accommodation providers				
			Serviced apartment	<28 booked nights per annum	Between 28 and 135 booked nights per annum		More than 135 booked nights per annum
		Serviced apartment			Stand-alone residence	Serviced apartment	Stand-alone residence
	B	-\$970 (-23%)	\$0 (0%)	\$797 (25%)	\$478 (15%)	\$3,186 (101%)	\$1,912 (61%)

21. The proposed introduction of a graduated differential for general rates and APTR for online accommodation providers requires consideration of where to set the differential categories and what level of rates should be charged to each category. This is set out in the discussion below.

Measurement methods

22. There are three ways to measure scale of the accommodation provided, these are:

- Available nights (capacity): the same basis applied to the commercial accommodation sector in that council does not consider occupancy rates. The assumption is that providers want to/are capable of maximising possible capacity. However, analysis of the AirDNA data shows there is a lack of correlation between the number of nights a property is available and the number of bookings it receives. For example, 11% of providers in Great Barrier, Rodney, Franklin, Waiheke and Waitakere Ranges received zero bookings. This method does not link strongly with commercial viability of the provider.
- Intended booked nights: best reflects the owners intended use of property and is the approach used by QLDC. This method relies on the property owner advising the council which category their property is likely to fall in, as well as advising of any change in category. QLDC uses provisions in its district plan to enforce collection of this information. Auckland Council does not currently have the same regulatory requirements in its Unitary Plan as QLDC and would rely on providers voluntarily offering information regarding their intentions.
- Booked nights (occupancy): has better links to the benefit they received from ATEED activities and takes into consideration revenue generated and subsequent affordability of rates. Booked nights are a historical measure of performance and link to intended booked nights to the extent that future expectations can be derived from historical activity. Council’s ability to identify and prove how many nights a property has been booked is limited, however analysis of the data shows this approach is fairer than available nights.

Differential boundaries

21. Setting the lower bound of the differential at 28 booked nights allows property owners to let the property up to 4 weeks, for example while on holiday, while recognising the limited revenue generated. This is consistent with the approach taken by QLDC. Properties let for less than 28 days will generate up to \$5964 per annum using an average daily rate for the online sector of \$213⁴.
22. Setting the upper bound of the differential at the average point where the revenue gained from using a property for short term lets exceeds the potential from the annual revenue from using the property as a long term rental is around 135 nights. This is a similar approach used by Rotorua Lakes Council to determine the commercial intention of the property owner.
23. Properties booked between 28 and 135 nights would represent a medium-occupancy category. This means online providers will be generating revenue on average between \$5,964 and \$28,755 and are unlikely to be operating as a full-time business, rather a mix of business and residential use.

⁴ Source: Average Airbnb published rates for entire residences in Auckland that have had at least one let in the last 12 months

Differential levels

24. Determination of the rates charges for the three categories of properties in the online sector is based on the scale of commercial offering and whether the property is located in an area liable for the APTR. The table below sets out the differential categories and potential levels of rates charged.

	Low occupancy	Medium occupancy	High occupancy
Booked nights per year	<28	28 to 135	>135
General rate	Residential rate	25 percent business and 75 per cent residential (currently around 1.4 times the residential rate and around a 35% increase in general rates)	Business rate (currently 2.74 times the residential rate)
APTR	No APTR	25 per cent of APTR	Full APTR

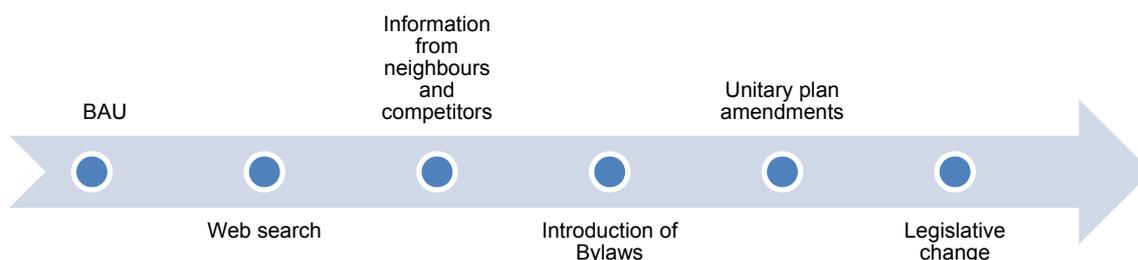
25. QLDC applies a mix of 25 per cent business and 75 per cent residential rates to properties in the medium occupancy category. The option above sets the general rate increase for this new category at around 35 per cent in line with QLDC. At 25 per cent of the APTR, medium occupancy properties located in Zone A would be charged 25 per cent of the hotel rate for serviced apartments and 15 per cent of the hotel rate for stand-alone residences. Medium occupancy properties located in Zone B would be charged half that. There is no way to measure the exact benefit received for this category and consideration of the appropriate differential level for the new medium occupancy category requires an exercise of political judgement.

26. Properties booked more than 135 nights should be considered business as they are producing annual revenue in excess of using the property for long-term residential use and are commercially viable as a business. The APTR would be charged either at the motel rate (Tier 2) or hotel rate (Tier 1) depending on the individual characteristics of the property.

Implementation issues

38. Officers will consider a range of approaches to identify online accommodation providers and workshop a preferred approach with councillors in early 2018.

39. The diagram below shows a list of potential options in relation to likely effectiveness:



40. Consideration should be given to the online sector role in future governance arrangements for the ATEED’s visitor attraction and major events expenditure. This issue will be addressed in advice supporting final decisions in May 2018 should the proposal proceed.

Attachments

No.	Title
A	Options Table
B	Assessment against statutory criteria – General Rate
C	Assessment against statutory criteria – APTR

Signatories

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Attachment A: Options Table

Rationale	Benefits	Risks/Issues	Impacts
General Rates			
Option One: Treat all online providers as business for general rates	Online accommodation providers operate in much the same way and receive similar levels of benefit as traditional accommodation providers who pay business rates	<ul style="list-style-type: none"> Encourages those who intend to operate their property in a commercial capacity while dissuading those who do not Treats online accommodation providers in a similar way to traditional providers by making them liable to fund councils general expenditure to similar levels 	<ul style="list-style-type: none"> Does not allow for differences in affordability for individual online accommodation providers and may cause affordability issues for some May drive avoidance behaviours particularly for those who do not intend to operate in a fully commercial capacity It is difficult to identify individual providers based on the information publicly available
Option Two: Continue to treat online providers as residential for general rates	It is difficult to identify individual providers based on the information publicly available	<ul style="list-style-type: none"> Avoids issues associated with trying to identify online accommodation providers Does not cause affordability issues for any online providers 	<ul style="list-style-type: none"> Online providers avoid additional general rates costs which traditional providers are currently required to pay May contribute to owners of units currently being used as part of traditional serviced apartment accommodation switching to become an online provider.
Option Three: Introduce a graduated differential for online providers for general rates	Some online accommodation providers operate in similar ways and receive similar levels of benefit as traditional accommodation providers who pay business rates	<ul style="list-style-type: none"> Treats online accommodation providers in a similar way to traditional providers by making them liable to fund councils general expenditure to similar levels Encourages those who intend to operate their property in a commercial capacity Allows for differences in affordability for individual online providers 	<ul style="list-style-type: none"> It is difficult to identify individual providers based on the information publicly available May drive avoidance behaviours

Rationale	Benefits	Risks/Issues	Impacts
Accommodation Provider Targeted Rate			
<p>Option One: Apply the APTR to all online providers where applicable (Zones A and B)</p>	<p>All online accommodation providers receive the same direct benefit from ATEED's spend on visitor attraction and major events.</p>	<ul style="list-style-type: none"> Encourages those who intend to operate their property in a commercial capacity while dissuading those who do not Treats online accommodation providers in a similar way to traditional providers by making them liable to fund councils general expenditure to similar levels 	<ul style="list-style-type: none"> Does not allow for differences in affordability for individual online accommodation providers and could cause affordability issues for some May drive avoidance behaviours particularly for those who do not intend to operate in a fully commercial capacity It is difficult to identify individual providers based on the information publicly available <ul style="list-style-type: none"> Significant increases in rates (70% to 120% - Zone A, 35% to 60% - Zone B) for all online accommodation providers Increased cost can be passed to customers as online providers have direct control over the prices set Up to 55% decrease in APTR for traditional accommodation providers
<p>Option Two: Continue to not apply the APTR to any online providers where applicable (Zones A and B)</p>	<p>It is difficult to identify individual providers based on the information publicly available</p>	<ul style="list-style-type: none"> Avoids issues associated with trying to identify online accommodation providers Does not cause affordability issues for any online accommodation providers 	<ul style="list-style-type: none"> Online accommodation providers avoid additional general rates costs which traditional providers are currently required to pay May contribute to owners of units currently being used as part of traditional serviced apartment accommodation switching to become an online provider. <ul style="list-style-type: none"> No immediate change to rates Over time there may be a slight increase in the APTR as owners of existing serviced apartment used for traditional accommodation switched to become an online accommodation provider
<p>Option Three: Introduce a graduated differential for online providers for the APTR</p>	<p>Some online accommodation providers operate in similar ways and receive similar levels of benefit from ATEED's spend on visitor attraction and major events as traditional accommodation providers</p>	<ul style="list-style-type: none"> Treats online accommodation providers in a similar way to traditional providers by making them liable to fund councils general expenditure to similar levels Encourages those who intend to operate their property in a commercial capacity Allows for differences in affordability between online providers 	<ul style="list-style-type: none"> It is difficult to identify individual providers based on the information publicly available May drive avoidance behaviours <ul style="list-style-type: none"> Significant increases in rates (60% to 200%) for online accommodation providers who let their residence for more than 135 nights. Material increases in rates (15% to 50%) for online accommodation providers who let their residence between 28 and 135 nights. Increased cost can be passed to customers as online providers have direct control over the prices set Up to 23% decrease in APTR for

Rationale	Benefits	Risks/Issues	Impacts
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traditional accommodation providers

Attachment B: Assessment against statutory criteria – general rates

When deciding from what sources to meet its funding needs, council must consider the matters set out in section 101(3) of the Local Government Act 2002, see below. This involves elected members exercising their political judgement and considering the proposal in the context of council's funding decisions as a whole.

101(3) The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of,—

- (a) in relation to each activity to be funded,—
 - (i) the community outcomes to which the activity primarily contributes; and
 - (ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
 - (iii) the period in or over which those benefits are expected to occur; and
 - (iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
 - (v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and
- (b) the overall impact of any allocation of liability for revenue needs on the community.

The following section considers the proposal to charge online providers business rates against the criteria in section 101(3) of the Local Government Act 2002.

The community outcomes to which the activity primarily contributes

General rates are used as general revenue and can be used to fund the operating and capital costs of any activity that council undertakes. Where practicable and cost-effective the council will seek to recover the cost to providing its services from individuals or group of beneficiaries (or causers of costs) where they directly benefit from, or impose costs on, council undertaking an activity. The council uses general rates to fund activities:

- which have a 'public good' element, e.g. civil defence
- where it wishes to subsidise the provision of services because of the wider social benefits they provide e.g. libraries
- where the application of fees and charges causes affordability issues.

The outcomes of councils general activities effect online providers in similar ways to both residential and business properties. The nature of activities therefore does not provide rationale for distinguishing between the two.

The distribution of benefits between the community as a whole; any identifiable part of the community; and individuals

The assessment of benefits received from activities which provide general public services are subjective in nature as it relies on the application of individual judgement to determine how benefits lie across individuals and groups. For example, the assessment of benefits from transport activities will vary depending on how much weighting is given to businesses providing them access to customers and a workforce, in comparison to the weighting given to individuals who have access to goods and can gain meaningful employment.

Online accommodation providers do not gain any additional benefit above that received by other residential ratepayers from the provision of infrastructure that supports development. This is due to online accommodation providers primarily operating out of existing residences where the planed infrastructure capacity, and subsequent cost to council, does not take into consideration any additional capacity requirement. On the other hand, online accommodation providers receive additional benefit from the provision of public transport that provides accessibility to their location, particularly in central locations.

It is therefore not possible to say with certainty that online accommodation providers receive any more or less benefit from general council activities to which other forms of charging do not apply. For this issue the distribution of benefits does not provide rationale to either rate them as residential or business.

The period in or over which the benefits are expected to occur

The period over which benefits are expected to occur is current. The expenditure of general rates revenue primarily funds operating costs for the current period. A very small portion of general rates is sometimes used to fund capital grants for community organisations. These activities are currently being funded from general rates and other funding sources are not appropriate.

The extent to which the actions or inactions of particular individuals or as a group contribute to the need to undertake the activity

Council decided to charge business higher rates were partly because they cause increased cost to council for the provision of transport and stormwater services. In relation to online accommodation providers, they do not cause increased cost for stormwater infrastructure as impervious surface areas allowed under the Unitary Plan are no different from other residential properties. However, accommodation providers in general encourage visitor attraction through the provision of accommodation services and drive increased cost in transport infrastructure caused by the increased number of visitors to Auckland.

Activities associated with accommodation providers create extra demand on transport infrastructure due to increased traffic movements and associated parking. They will also drive increased demand on passenger transport services.

Accordingly there is rationale for charging online accommodation providers higher rates based on the increased driver on costs to council.

The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities

General rates raise revenue that can be used to fund any of councils activity. As such they do not add transparency or accountability to the extent that user fees and targeted rates can.

It is administratively more difficult to charge business rates and the APTR to online accommodation providers than to traditional providers. Information on online providers is not readily available and it is difficult to identify individual providers based on the information publicly available. A range of options that may be available and require further investigation to assist collection of this information are:

- Web searches
- Information from neighbours and competitors
- Introduction of bylaws
- Unitary plan amendments
- Legislative change.

Consideration of overall impact

Having considered the above criteria, the council needs to consider the proposal in terms of the overall impact on the community. This involves elected members exercising their judgement and considering the proposal in the context of council's funding decisions as a whole, not just in relation to this activity.

Matters for council to consider as part of this overall political judgement could include:

- The affordability of the rate on online accommodation providers: This proposal will increase rates for online providers particularly for those who let their residence for more than 135 nights. However, they can decide whether to absorb the increased cost or pass it on to their customers as they have direct control over the prices they set. Whether or not they choose to pass on the increased cost, and how, is entirely up to each accommodation provider to decide individually.

- The impact of the proposal on traditional accommodation providers: This proposal will mean that council will be treating online accommodation providers in a similar way to traditional providers by making them liable to fund councils general expenditure to similar levels.
- The impact of the proposal on other ratepayers: This proposal will broaden the ratepayer base for businesses and has the potential to marginally reduce the amount of rates paid by other business by up to 1%. The structure of the business differential and the relative sizes of the business and non-business sectors results in no meaningful impact on non-business ratepayers.

Attachment C: Assessment against statutory criteria - APTR

When deciding from what sources to meet its funding needs, council must consider the matters set out in section 101(3) of the Local Government Act 2002, see below. This involves elected members exercising their political judgement and considering the proposal in the context of council's funding decisions as a whole.

101(3) The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of,—

- (c) in relation to each activity to be funded,—
 - (i) the community outcomes to which the activity primarily contributes; and
 - (ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
 - (iii) the period in or over which those benefits are expected to occur; and
 - (iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and
 - (v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and
- (d) the overall impact of any allocation of liability for revenue needs on the community.

The following section considers the proposal to charge online providers business rates and the APTR where applicable against the criteria in section 101(3) of the Local Government Act 2002.

The community outcomes to which the activity primarily contributes

The community outcomes to which the activity (visitor attraction) primarily contributes is set out in the LTP 2015-2015 as:

1. An Auckland of prosperity and opportunity
 - through promoting Auckland as a business and leisure visitor destination and attracting visitors to attend events that are unique to Auckland
2. A culturally rich and creative Auckland
 - providing opportunities to showcase Auckland's unique arts and culture through support for and delivery of a portfolio of major events including the annual Auckland Diwali, Lantern and Pasifika Festivals
 - growing Auckland's visitor economy through promotion of and support for a range of culturally focussed visitor products
3. Te hau o te whenua, te hau o te tangata
 - celebrating and showcasing Māori culture and identity through major sporting and business events including a Māori Signature Festival for Auckland

The activities that ATEED undertakes in the visitor attraction area strongly support these outcomes:

- Expenditure under the headings of Tourism, Major Events, the Auckland Convention Bureau and Brand and Marketing are all undertaken to build the visitor economy and create Auckland as a destination.
- Auckland festivals support the “culturally rich and creative” component of the outcomes and add to the overall attractiveness of Auckland.
- The External Relations and International Education categories of expenditure involve working with central government to attract business and build the education sector.

Some of these outcomes relate to the overall prosperity and cultural richness of the city, and suggest a general rate mechanism may be appropriate. Others are more focused on the visitor economy and support the concept of a targeted funding mechanism.

The distribution of benefits between the community as a whole; any identifiable part of the community; and individuals

The intent of the proposal is to more fairly apportion the burden of rates between online accommodation providers, traditional accommodation providers, and other ratepayers.

The benefits that accrue to traditional providers were considered when the council made its original decision to introduce the rate. Particular feedback received from traditional accommodation providers from consultation of the APTR noted that some accommodation providers were unfairly excluded from the proposal i.e. online providers such as Airbnb. Acknowledged at the time, online accommodation providers derive similar direct benefit from the expenditure as traditional accommodation providers. This proposal specifically responds to this issue.

ATEED's activity in this area is focused on and measured by increased number of visitors to Auckland. One of the key measures of ATEED's Statement of Intent is "visitor nights".

Most of the expenditure in this part of ATEED's activities is targeted at attracting visitors to Auckland and growing the visitor economy. The Tourism, Major Events, Brand and Marketing and Auckland Convention Bureau activities are designed to bring in visitors, international and domestic, who will stay in the Auckland region, which directly benefits all accommodation providers.

Auckland Festivals are of benefit to the wider Auckland community but also support the Auckland brand as a culturally diverse and vibrant city. Expenditure on these festivals primarily benefits Auckland residents.

In terms of the distribution of benefits factor it is clear that all accommodation providers receive an immediate direct benefit from ATEED's expenditure in attracting visitors to Auckland, but other businesses also benefit, as does the wider community. The benefits may be felt differently depending on geographic location.

The period in or over which the benefits are expected to occur

The period over which benefits are expected to occur is current. The expenditure on visitor attraction is funded from operating revenue on the basis that the benefits primarily accrue in the period in which the activity occurs. Expenditure on Major Events and Auckland Festivals in particular attract visitors at the time of the event expenditure. Tourism expenditure will have an impact both in the period in which the expenditure is incurred and in the next few years. Other categories of spend will have both a shorter and medium term impact.

Accordingly, given the short to medium term impact of the expenditure, rates (whether targeted or general), rather than borrowing, are an appropriate funding source.

The extent to which the actions or inactions of particular individuals or as a group contribute to the need to undertake the activity

Visitor attraction is funded to support the community outcomes as described above. It is not undertaken to offset any action or inaction of individuals or groups.

The costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities

Transparency and accountability for this activity have already been enhanced through the introduction of the APTR. New governance arrangements that give traditional accommodation providers a role in determining how the revenue is spent are progressing. This gives traditional accommodation providers an incentive to scrutinise the expenditure and provide advice on how to get best value for money. Should this proposal proceed then online providers should also be given the opportunity to take part in the governance arrangements.

- It is administratively more difficult to charge business rates and the APTR to online accommodation providers than to traditional providers. Information on online providers is not readily available and it is difficult to identify individual providers based on the information publicly available. A range of options that may be available and require further investigation to assist collection of this information are:

- Web searches
- Information from neighbours and competitors
- Introduction of bylaws
- Unitary plan amendments
- Legislative change.

Consideration of overall impact

Having considered the above criteria, the council needs to consider the proposal in terms of the overall impact on the community. This involves elected members exercising their judgement and considering the proposal in the context of council's funding decisions as a whole, not just in relation to this activity.

Matters for council to consider as part of this overall political judgement could include:

- The affordability of the rate on online accommodation providers: This proposal will significantly increase rates for online providers who let their residence for more than 135 nights. It will also moderately increase rates for online providers who let their residence between 28 and 135 nights. However, they can decide whether to absorb the increased cost or pass it on to their customers as they have direct control over the prices they set. Whether or not they choose to pass on the increased cost, and how, is entirely up to each accommodation provider to decide individually.
- The impact of the proposal on traditional accommodation providers: This proposal will broaden the ratepayer base for the APTR and has the potential to reduce the APTR for traditional accommodation providers by up to 23 per cent.