Attachment D: Proposal to amend Auckland Council's Rates Remission and Postponement Policy

The Auckland Council is required to review and seek feedback on its Rates remission and postponement policy this year. This policy allows us to remit (reduce) or postpone (defer payment until a later date) rates for some properties.

We use this policy to provide financial assistance to ratepayers, and address inequities in how rates are applied. Full details of the council's current Rates remission and postponement policy can be viewed here.

The council is proposing changes to rates remission and postponement schemes offered for the following:

1. rates penalties
2. retirement villages and Papakāinga housing
3. legacy remission and postponement schemes for:
   - community and sporting organisations
   - rating units protected for natural or historic or cultural conservation purposes
   - commercial properties on Great Barrier Island
   - Manukau sports clubs.

The council is also proposing to:

4. introduce a new remission scheme for properties charged the accommodation provider targeted rate
5. remove the remission for rates transition management policy change properties

Full details of the proposed changes, and the draft Rates remission and postponement policy are below.

We invite you to submit feedback on the proposed changes, or any other aspect of our Rates remission and postponement policy.

Details of proposals

1. Remission of rates penalties

This scheme enables the council to remove penalties on rates that were paid after the due date. Currently this scheme lists 11 situations where council will remit penalties, such as if the invoice was sent to the previous owner. Some of the criteria are unnecessary as ratepayers could apply other criteria.

We are proposing to reduce the number of criteria in this scheme to simplify administration and reduce the distress on those where penalties have accumulated due to unfortunate personal circumstances such as deaths and fires. The changes will not alter the number or amount of penalties remitted.

2. Remission for residents of licence to occupy retirement villages and Papakāinga housing

This scheme assists residents of retirement villages and Papakāinga who would otherwise qualify for central government's rate rebate scheme, except they occupy their property under a licence to occupy agreement. The scheme remits the Uniform Annual General Charge (UAGC) and the Interim Transport Levy (ITL) for qualifying residents.

This year central government amended the legislation[1] for its rates rebate scheme to enable residents of licence to occupy retirement villages to access the scheme. As a result we are proposing to remove retirement villages from this scheme. The scheme will be retained for Papakāinga that use license to occupy tenancies which continue to be unable to access the rebate scheme. The council will work with affected retirement villages to ensure that residents are able to access the rates rebate.

This year Auckland Council is proposing to remove the Interim Transport Levy rate. If this change is adopted by council, this remission scheme will be amended to remove the ITL.

Removing retirement villages from this scheme will save ratepayers $740,000.

3. Legacy remission and postponement schemes

The council's rates remission and postponement policy includes the following schemes that were carried over from the previous councils (from before amalgamation.) These schemes are only available within the district of the former council that offered the scheme:

- remission of rates for community, sporting and other organisations providing community services in the district of the former Auckland Regional Council
- remission of rates for community, sporting and other organisations providing community services in the district of the former Franklin District Council
- postponement of rates for sports clubs in the district of the former Manukau City Council
- remission of rates for community, sporting and other organisations providing community services in the district of the former North Shore City Council
- remission of rates where organisations by their existence in the district directly benefit the residents of the district of the former Rodney District Council
- remission of rates for private covenanted land in the district of the former Auckland City Council
- remission of rates for rating units in the district of the former Auckland Regional Council protected for natural or historic or cultural conservation purposes
- remission of rates for natural areas protected in the district of the former Franklin District Council
- remission of rates on land in the district of the former Papakura District Council protected for natural conservation purposes
- remission for land in the district of the former Rodney District Council voluntarily protected for natural or historic or cultural conservation purposes
- postponement of rates for commercial properties on Great Barrier Island

We proposed to remove the legacy schemes (excluding the Postponement of rates for sports clubs in Manukau) and replace them with grants. A three year transition period will apply during which the current recipients will receive the same level of support adjusted for any changes in their rates.

Within the three years the council will consider how these grants will be integrated into council's broader funding strategies for delivering community outcomes. Recipients will be informed of any options for additional funding including grants after the transition period.

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[1] Rates Rebate (Residents of Retirement Villages) Act 2018.

Replacing rates with grants is cost neutral for council. Grants will be paid to recipients exclusive of the GST component of rates. Recipients that are GST registered will then be able to claim back the GST when they pay their rates. Recipients who are not GST registered will have an effective reduction in council support of 13 per cent.

Postponement of rates for sports clubs in the district of the former Manukau City Council

The current rates postponement scheme is designed to be cost neutral when paid back. The postponed rates include charges for administration costs and interest. Transferring the postponement schemes to grants would result an increased cost of $100,000 each year for other ratepayers.

We are therefore proposing to retain this scheme with the following amendments:

- eligibility restricted to the two clubs who have rates postponed under the scheme
- remove the ability of the council to remit the unpaid rates
- the scheme will be removed after three years (any postponed rates will remain as liability on the property, to be paid on the sale or transfer of the property.)

4. Remission of Accommodation Provider Targeted Rate

We are proposing to introduce a new remission scheme for ratepayers who are charged the Accommodation Provider Targeted Rate (APTR). This scheme enables us to remit the APTR for:

- properties used as emergency accommodation, in proportion to the amount of time and the part of the property that is put to this use
- ratepayers who own no more than two serviced apartments, who are paid a fixed rent (with no profit sharing), and who are unable to pass on the cost of the rate and unable to exit the contract before the start of rating year. (A partial remission will apply where the lease to the accommodation operator expires during the rating year.)

The remission for serviced apartments will be phased out over 10 years, with the amount of remission available declining by a tenth each year. Remissions under this scheme are expected to cost ratepayers $1.2 million in 2018/2019, with this amount declining over the next ten years.

5. Remission for rates transition management policy change properties

This scheme supported the application of the Rates transition management policy[2] that expired on 30 June 2015. The scheme is redundant and will be removed.

Alternative Options

The table following sets out the options considered by council for each of the proposed changes.

[2] The Local Government (Auckland Transitional Provisions) Act 2010 enabled the council to adopt a Rates Transition Management Policy for three years ending 30 June 2015.

Options for remission of penalties

Option	Key Issues	Cost to council	Minimise the effects of change	Administrative simplicity
Retain the existing scheme	No change	Cost neutral	No change	No change
Proposed: Reduce criteria	**No change**	**Cost neutral**	**Easier for ratepayers to apply**	**Reduced administration required**

Options for remission for residents of licence to occupy retirement villages and Papakāinga housing

Option	Key Issues	Cost to council	Minimise the effects of change	Administrative simplicity
Retain the existing scheme	Increases inequity - Residents of licence to occupy retirement villages would be able to apply for both a remission and rebate so would receive greater assistance than other ratepayers	Cost neutral	No change	More administration required
Proposed: Remove retirement villages	**Increases equity – treats residents of licence to occupy retirement villages the same as other ratepayers**	**Saving of $740,000**	**Council will work with affected retirement villages to ensure residents take up rebate**	**Reduced administration required**

Options for legacy remission and postponement schemes

Option	Key Issues	Cost to council	Minimise the effects of change	Administrative simplicity
Remove immediately	All decisions on council support to deliver these types of outcomes subject to the same scrutiny Process transparent	Saving of $900,000	Immediate impact on current recipients. Whilst remissions mainly small some current recipients may not be able to accommodate change in a short time period.	No impact as administration costs minimal
Proposed: Replace with grants with a three year transition	**All decisions on council support to deliver these types of outcomes subject to the same scrutiny. Transition provides time to integrate this support into wider decision making on delivery of the relevant outcomes across the region** **Process transparent**	**Cost neutral**	**No immediate impact. Three years in which to develop relationships with the council, if none presently exist, and to adapt to new funding environment**	**Volumes of applications for grants would increase but could be managed within current systems**
Retain the status quo	Inequitable as only available in some parts of the region. Remissions and postponements are not a transparent mechanism for supporting wider council goals because they are not prioritised against other expenditure proposals or subject to the same value for money scrutiny.	Cost neutral	No impact on existing recipients	No impact
Extend remissions to the entire region	More equitable because remissions are available to all ratepayers. Remissions and postponements are not a transparent mechanism for supporting wider council goals because they are not prioritised against other expenditure proposals or subject to the same value for money scrutiny	Additional costs for extending the current remission schemes estimated at $4.5 - $6 million as follows. $40,000 for 100 properties with a QEII covenant. Significantly more if extended to 4500 properties with other types of covenants. $3 million for Category A heritage properties in the Unitary Plan. $1.5 million for 50 per cent remission to $3 million for 100 per cent remission for community and sporting organisations	No impact on existing recipients. Average residential ratepayer will pay $10 more per year in rates.	One off additional costs to communicate to potential recipients and assess applications. Once eligibility is established ongoing costs are minimal

Options for remission of the Accommodation provider targeted rate

<table>
<tr><th>Option</th><th>Key Issues</th><th>Cost to council</th><th>Minimise the effects of change</th><th>Administrative simplicity</th></tr>
<tr><td>No remissions offered</td><td>Council is unable to recognise where motels are used to provide emergency accommodation
No support provided to small investors in serviced apartments who may not be able to manage the increased costs</td><td>Cost saving of $1.8 million compared to 2017/2018 remissions of the APTR under the miscellaneous remission scheme.</td><td>Motel operators will have additional costs. Some small investors in serviced apartments may suffer financial hardship with contracts they are unable to exit</td><td>Reduces administration</td></tr>
<tr><td>Proposed:
• Remissions for Emergency accommodation</td><td>Recognises that using motels as emergency housing is a residential use that should not attract the APTR.</td><td>Cost of emergency housing remission: less than $50,000.</td><td>Reduces costs for motel operators</td><td rowspan="2">Lower administration compared to other options as fewer remissions offered</td></tr>
<tr><td>• Remissions for Small investors in serviced apartments, phased out over 10 years</td><td>Provides assistance to small investors who own one or two serviced apartments who may suffer financial hardship with contracts they are unable to exit.</td><td>Estimated cost serviced apartments in 2018/2019: $1.2 million. This is less than the $1.8 million in APTR remitted in 2017/2018 (as at February 2018) due to:
• exclusion of forward bookings
• contracts for serviced apartments expiring or able to be exited
• exclusion of owners of more than two apartments</td><td>Reduces change for small investors over ten years</td></tr>
<tr><td>Remissions for Small investors in serviced apartments until contracts expire</td><td>Small investors may be locked into contracts for their serviced apartments for longer than 10 years (some up until 2047). Providing a remission for the duration of the contract means that all ratepayers will pay more to support individuals' private investments.

Small investors, like large investors, have freely entered into contracts and should bear the cost of their investment choices.</td><td>Cost of remission increases $10 million (uninflated) over the life of the remission scheme compared to phased scheme.</td><td>Eliminates change for small investors</td><td>Extends period over which scheme needs to be administered compared to proposed</td></tr>
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Option	Key Issues	Cost to council	Minimise the effects of change	Administrative simplicity
Remissions for Large investors	Some very large hotels can have the operator as a separate entity from the ratepayer. Depending on the nature of the contract, these ratepayers may also be unable to pass on the cost to the hotel operator, and remission could be considered on this basis. Unlike small investors, large investors tend to have better access to advice, and a greater ability to negotiate the terms of any contract they enter into. The larger the investment being made, the greater the requirement for due diligence to be undertaken. Large investors should therefore bear a greater responsible for managing the risks of changes to taxes or legislative environment for any contracts they enter into.	Additional $65,000 in 2018/2019 if extended to owners of up to 4 serviced apartments. Unknown how many larger hotels have separate ratepayer/operator – significant risk to APTR funding if included.	Eliminates change for all investors who are unable to pass on the cost of the APTR to the accommodation operator.	Increased administration in reviewing leases and determining relationship between operator and ratepayer
Remissions for Forward Bookings	Some hotels have entered into contracts that block book rooms for businesses such as airlines, with prices fixed for between one and three years. Offering remission to hotels for forward contracts is inequitable to other accommodation providers because all accommodation providers take bookings in advance. Some contracts already allow cost of rate to be passed on. All contracts viewed by council can be exited in the short term. Business should be able to manage the risk of the contracts they enter into.	Estimated $700,000 for 2018/2019, though this figure could rise significantly if more hotels apply. Most contracts are for 1 to 3 years, so cost of remission would decline quickly over time	Council has provided remissions under its miscellaneous scheme for 2017/2018. This covers a significant proportion of existing contracts.	Significant administrative burden in reviewing contracts for both council and applicants. (Reflected in the limited number of applications received.)

Other remission and postponement schemes

The remaining remission and postponement schemes in the Rates remission and postponement policy have been reviewed by council. These schemes continue to meet the objectives set out for each scheme. As such, no changes are proposed for these schemes:

- remission of rates to top-up the rates rebate
- postponement of rates for residential properties
- remission of rates for miscellaneous purposes
- remission of uniform annual general charges and targeted rates levied as uniform annual charges on certain rating units.

Process for Rates remission and postponement policy

Feedback on this policy is welcome from 13 March until 3 April 2018. This feedback will help inform council's decisions on the rates remission and postponement policy. A final policy will be adopted by the Finance and Performance committee on the 30 May 2018. The policy will take effect from 1 July 2018.

Ways to have your say on the Rates remission and postponement policy

+Online

https://www.aucklandcouncil.govt.nz/have-your-say/topics-you-can-have-your-say-on/Pages/default.aspx

Keyword: remissions

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