RATING REVIEW PRE-CONSULTATION FEEDBACK

Introduction

The Rating Review pre-consultation has provoked a significant level of interest in the community over the last three weeks. The level of interest and debate has reinforced the value in undertaking pre-consultation ahead of the formal Draft LTP consultation process.

The level of feedback was pleasing given the short timeframe. The feedback generally focussed on two aspects – the pre-consultation process and the merits of the rating proposal. The feedback in relation to these two aspects is set out in this discussion paper.

The feedback on the rating proposal has been grouped into eight key themes that were consistently discussed in the feedback provided.

1. Fairness
2. Affordability
3. Maintenance/Improvement Deterrent
4. District/Economic Effects
5. Services
6. Implementation
7. Lack of Policy or Knowledge
8. Confusion

Pre-Consultation Process

To fit in with the Long Term Plan (LTP) project timeframes there was a limited window to undertake pre-consultation. Several different means of engagement were used to provide the community with the opportunity to be involved in the Rating Review pre-consultation process.

<u>Stakeholder Meetings</u>

Key stakeholder groups were identified by the LTP Project Steering Group and were sent letters inviting them to attend one (or more) of the six separate stakeholder meetings (listed below) that took place between 30 October and 3 November 2014.

While a number of the stakeholder groups were readily identifiable, there was some difficulty in determining which rural lifestyle ratepayers should be invited to the meeting. However, the purpose of inviting the Resident and Ratepayer association groups was to ensure that there were representatives invited from each settlement.

The decision was made to specifically invite the rural lifestyle ratepayers that were likely to be the most affected financially by the proposed change to a Capital Value rating system. The cut-off was made based on those rural lifestyle property owners who had a potential rate increase of $1000 or greater. A total of 48 ratepayers were identified in this category.

In total approximately 150 letters were sent out inviting stakeholders and ratepayers to the various meetings.

The presentations to each stakeholder meeting were made by officers Doug Law and David McCorkindale. The presentations were virtually the same for each meeting, with a more detailed focus provided to the areas of most relevance for the respective meetings.

The Rating Review proposal document including the feedback forms were provided to each person attending the meetings.

The public meeting for the general public was advertised through the Council website and Council Facebook page.

Meeting 1 - Grey Power

This meeting was attended by eight members from Grey Power.

Councillors Mason, Rush and Mitchell were all present.

Meeting 2 - Farming Sector

A combination of eight local farmers and Federated Farmers representatives attended.

Councillor Mitchell was also present.

Meeting 3 - Business Sector

This meeting was attended by six local business representatives including members from the Economic Development Board.

Meeting 4 - Utilities Sector

This meeting was only attended by the General Manager for Electra.

Meeting 5 - General Public, Ratepayer Associations and Rural Lifestyle Properties

This meeting had the highest attendance of the meetings with approximately 40 people attending. All of the Ratepayer Association groups were represented, a number of rural lifestyle property owners were present and other members of the public.

Councillors Mitchell, Bishop, Campbell and Brannigan were present for this meeting.

Meeting 6 - Central Government Agencies

No representatives from the Central Government agencies attended. .

<u>Economic Development Board</u>

During the pre-consultation period a presentation was made to the Economic Development Board by David McCorkindale. The presentation focussed on the LTP process and the opportunities for the Board to feed into process, whether that was through the pre-consultation phase on the Rating Review or through the formal consultation phase for the Draft LTP which will take place earlier next year.

<u>Hard Copies</u>

Copies of the Rating Review proposal were available from Te Takere. In the final few days of the feedback period there was a run on the hard copies and some members of the community found it difficult to obtain a copy.

Community Connection

The Community Connection (Issue 86 – November 2014) was used to provide details of the Rating Review proposal to the wider community (ratepayers and residents). The Community Connection is delivered to all letterboxes in the District within the Horowhenua Chronicle newspaper. The article on the Rating Review featured on the front page.

Council Website

A Rating Review section was created on the Council website page and provided online access to rating proposal information. An invitation to provide feedback on the proposal featured on the website's rotating banner during the consultation period.

The option of completing an online feedback form was available. This consultation process has seen the highest uptake of people using the online form to provide their feedback.

Council Facebook Page

The Council Facebook page was used to raise awareness of the Rating Review, with several posts added to remind the community of the timeframes for providing feedback.

Pre-Consultation Observations

The pre-consultation process did attract considerable attention and comment.

As anticipated the short time frame (19 days) to provide feedback was widely criticised as being too short to provide for meaningful consultation. Numerous requests were made to extend the timeframe. In responding to these requests it was explained that it was necessary to work to the set timeframes. It was explained that the project timeframes were being driven by the need to have the Revenue and Finance Policy adopted in December and that there needed to be sufficient time to allow this document to be prepared and the analysis of the feedback completed to inform the Council briefings. Furthermore people were informed that they would be given another (more formal) opportunity to comment of the Rating Review proposal if this proposal is carried through to the Draft LTP.

There were numerous complaints about residents not being aware of the change and not having noticed the information in the Community Connection or on the website. Suggestions were made that it would have been more helpful to have included this information with the most recent rates demands. This is discussed later in this paper, as an option that could be used next year.

There was general confusion about this being a 'pre-consultation process'. It became apparent that many mistakenly saw this as being the only opportunity they would have to provide comment on the

Rating Review proposal. Unfortunately not realising that there would also be the opportunity to provide a formal submission on the Draft LTP.

There were numerous complaints about the information documents prepared for the pre-consultation process. The complaints ranged from the form having not enough information, to too much detail, and to it being too confusing and poorly written. Comments were also made about the lack of the evidence and policy from Council supporting the proposed change.

For many people the key question was how would the change affect their rates? To find out this information it required ratepayers to contact officers. There was a very steady stream of phone calls and emails to obtain this information. Officers dealt with these queries as efficiently as they were able to, however, some residents experienced some frustration when officers were already busy with another rating query and were not available to respond immediately.

Because of the changes in the rating system, particularly with the change in differentials, it was not possible to provide an online rating calculator for people wanting to find out for themselves. The intention is to develop a calculator for this purpose (regardless of what rating system is proposed) for the Draft LTP consultation process.

There were both concerns and accusations expressed that Council was not meeting its statutory requirements in terms of consultation. For clarification it is noted that there is no legal prescription for how pre-consultation is undertaken or what timeframes need to be adhered to. The process that was undertaken therefore did not need to satisfy any statutory requirements, including timeframes. Rather pre-consultation is generally undertaken to obtain an initial understanding of some of the concerns or issues that stakeholders may have with a proposal, so that these can be addressed (if possible) prior to undertaking formal consultation.

Various conspiracy theories were constructed based on Council deliberately trying to 'sneak this through' and intentionally not inviting certain people to the stakeholder meetings. In some instances one rural lifestyle property owner had been invited by letter to attend a meeting due to the potential increase in rates they may experience while their neighbour had not as they would receive a much smaller increase. (An example of one of the several flyers created and circulated by residents is attached at the end of this document).

Undoubtedly the short timeframes did create a heightened sense of urgency and anxiety. That said the number of feedback forms has surpassed any consultation process that Council has undertaken in the last three years, with a total of 255 feedback forms received. It should be noted that there were several instances where ratepayers felt sufficiently motivated to provide more than one response or in some cases a separate response for each different property in their ownership.

The consultation process followed a very typical pattern with the vast majority of feedback being received in the final three working days. This is very consistent with the patterns of other Council longer consultation processes where submitters will typically take as long as they have to provide their submission. While a longer timeframe may have allowed some additional feedback to be received, it is likely that it would not have resulted in a significant increase and given the amount that has been received it would be very surprising if that feedback would have raised any issues or perspectives that have not already been addressed by others.

The fact that the stakeholder meetings and pre-consultation process were fronted by Officers rather than Councillors did frustrate some ratepayers and lead to assumptions that the Councillors were not interested in getting the feedback because it was a done deal.

It should not be overlooked that the pre-consultation process did attract positive feedback also, including comments such as “the briefings so far featured in Council’s new ‘pre-engagement’ programme have been excellent and we applaud the sense of community inclusiveness that is now so evident in this new approach”.

Officers have taken a lenient approach to the closing date and have continued to accept and analyse the feedback forms received right up until lunchtime on Friday 21 November, the day this discussion paper was finalised.

There have been several very useful suggestions made about the consultation process, including greater advertising through use of Community noticeboards, public notices or sending information with the rates demands. Officers will debrief on the consultation process and ensure that any improvements are identified and built into future processes.

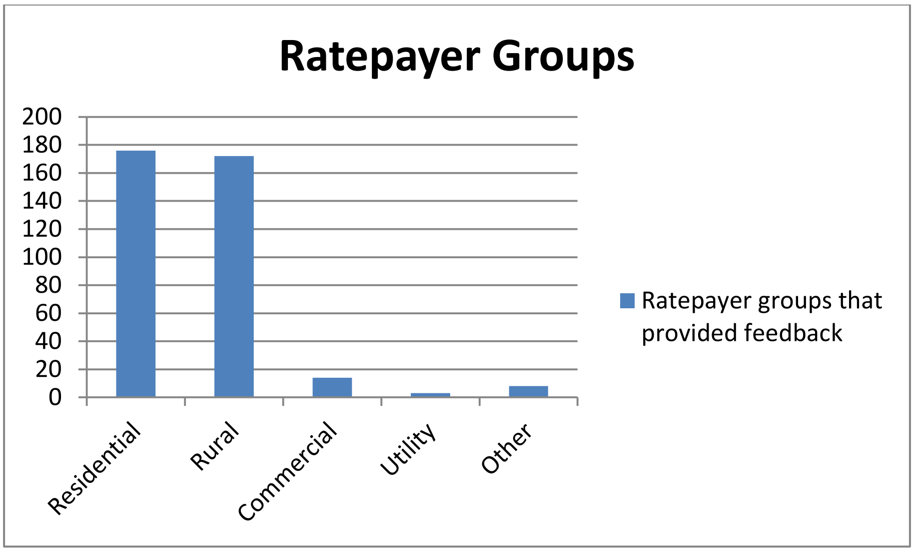
Rating Review Feedback

Summary of Feedback Received

A total of 255 pieces of feedback were received by the Council during the feedback period (30 October to 17 November 2014). Of the 255 pieces of feedback that were received 25 people indicated that they had attended one of the meetings held on the Rating Review proposal. Please note that the figures provided below may be somewhat distorted as a number of people provided multiple pieces of feedback on the rating review (in some instances these related to different properties in their ownership and in other cases it was to provide additional comment beyond their original feedback).

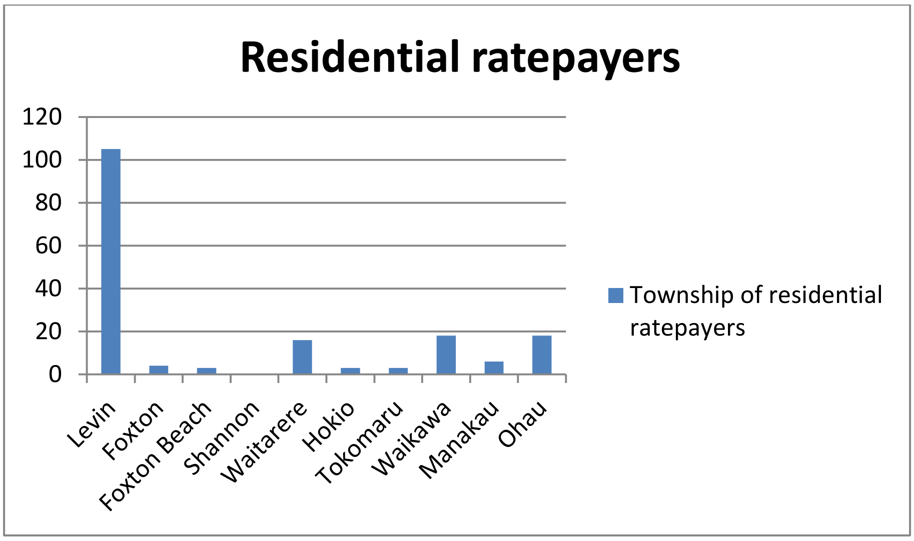
Who Provided Feedback?

As demonstrated in the graph below (Graph 1) feedback was primarily received from residential and rural (which also captured the rural lifestyle ratepayers) ratepayers. A small number of commercial, utility and ‘other’ (who typically identified themselves as ‘landlords’) ratepayers also provided feedback. It is noted that some of the people who provided feedback owned multiple properties and in some instances they provided separate pieces of feedback for each property whereas others included all the properties they own in a single feedback form.



Graph 1: Breakdown of ratepayer groups that provided feedback.

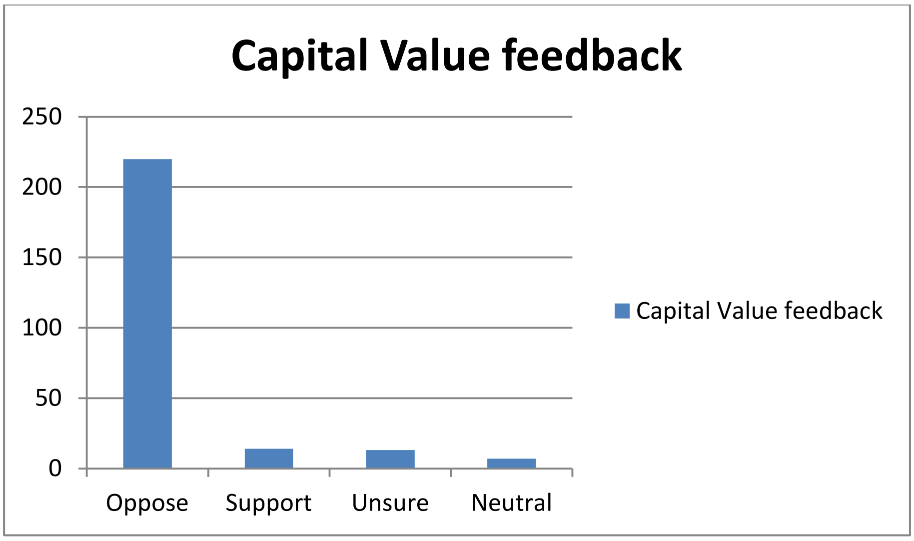
The graph below (Graph 2) shows which townships that the residential ratepayers that provided feedback on the Rating Review proposal reside in.



Graph 2: Identification of the townships that residential ratepayers who provided feedback reside in.

Do they support the proposal to change to a Capital Value Rating System?

The Graph below shows the breakdown of feedback that was received in opposition, support or otherwise of the Rating Review proposal. It is noted that approximately 86.3% of the feedback that was received opposed the proposal to introduce a Capital Value rating system. Approximately 5.5% of the feedback received supported the proposal and 7.8% of the feedback that was received was either neutral or unsure in relation to the proposal to introduce a Capital Value rating system.

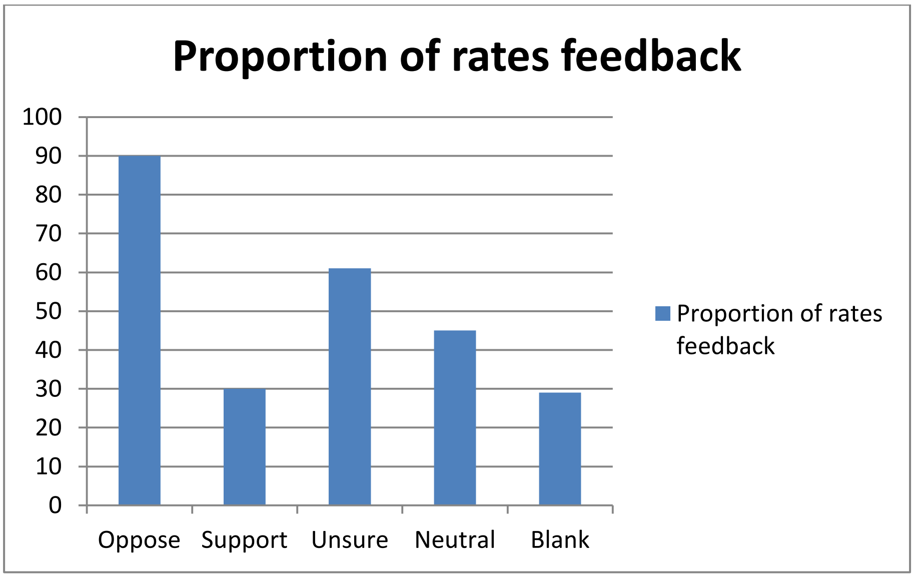


Graph 3: Feedback provided outlining stance on proposal to introduce a Capital Value rating system.

Do they support the proposal to collect the same proportion of rates from each sector?

The below graph (Graph 4) identifies whether the feedback provide on the proposal to collect the same proportion of rates from each sector was in opposition, support, or otherwise. Around 90 people indicated in the feedback they provided that they were opposed to this proposal. However it is noted that the majority of people (135 which includes neutral, unsure and blank answers to this question) did not appear to understand this question, the concept behind it or realise it was currently set up this way. As such this is probably something that should have a greater level of information on if it is included in the Revenue and Finance Policy and the Draft LTP.

It should also be noted that those opposed retaining the current proportion had mixed views as to whether this proportion should be increased or decreased.



Graph 4: Feedback received on proposal to collect the same proportion of rates from each sector.

Key Themes from Feedback

Fairness

Fairness was a key theme that was often touched on in the feedback provide as part of the pre-consultation process. This theme is closely aligned with the 'Affordability' theme with a number of people querying whether it was fair to assume that people who owned bigger, more expensive houses could afford to pay a larger amount of rates. A number of people perceive that by introducing a Capital Value rating system the Council is effectively penalising people who have worked hard to improve their situations in life and that this would be unfair.

Fairness was also linked to the 'Affordability' theme as the ability of businesses and farms to claim back their rates was referred to often by rural lifestyle ratepayers in their feedback forms. Some believe that business owners and farmers would be likely to benefit from a shift to a Capital Value rating system whereas rural lifestyle ratepayers are not able to claim back their rates and yet largely they would receive an increase in rates. It was also suggested that businesses and farms would be getting preferential treatment and that this would be unfair. It is noted that other feedback received inferred that lower income households would get preferential treatment as they already are able to get rates rebates and under a Capital Value rating system they would also pay a lesser amount in rates and this would essential mean they were getting a double subsidy.

The Fairness theme also links to the 'Services' theme as there was a common perception from some of those that provided feedback that a Capital Value rating system would result in a portion of the 'wealthier' members of the community paying higher rates. This was then interpreted as the 'wealthier members' effectively subsidising the other members of society without receiving additional services or an increase in the levels of services that they currently receive. A number of rural lifestyle ratepayers highlighted the fact that they currently have to cover the costs of installing, maintaining, and replacing their own onsite water tanks and wastewater systems and as such it was considered to be unfair that they will have a substantial increase in their rates, whereas urban ratepayers who received the benefit of public water and wastewater services (as well as other services) would not experience the same increase in rates.

It was raised by several ratepayers from Shannon and Tokomaru that it was unfair that many of the residents in these townships would receive an increase in their rates as a result of introducing a Capital Value rating system whereas many residents in Levin were likely to get a decrease. This was perceived as being particularly unfair given that the residents of Shannon and Tokomaru do not have the same access to services (i.e. the swimming pool and Te Takere) that the ratepayers of Levin do.

Council also received some feedback (primarily from the rural and business sectors) that supported the shift to a Capital Value rating system and they felt it would provide a fairer more equitable spread of rates over all sectors. Support was also provided for the change in the swimming pool differential as it was perceived to be fairer for those areas that had currently been paying 'twice'.

Affordability

Affordability or people's ability to pay was a major theme that came through in the feedback provided as part of the pre-consultation process. The affordability theme came through in a number of different ways with people that own larger homes inferring that they cannot afford to pay a higher portion of rates; the belief that business owners (including farmers and rental property owners) can afford higher increases in rates as they can pass on their costs to their tenants and they receive a tax deduction for rates as a business expense; that rates are already increasing at a rate that is disproportionate to increases in the average person's income and people are already struggling to pay their rates; and that the worst affected property owners that would receive a large increase in rates as a result of introducing a Capital Value rating system would not be able to afford this additional cost especially over such a short time period.

Throughout the feedback provided there is opposition from a number of ratepayers that there is a correlation between how much a person's property is worth and the ability of that person to pay rates. Many query how the Council has come to the conclusion that people with larger, more expensive houses can afford to pay a high portion of rates. A considerable amount of the feedback received appears to have come from rural lifestyle ratepayers, with many of them intimating that these properties tend to be owned by retirees on fixed incomes, young families that require more space and that have large mortgages, or people with a desire to live sustainable or in a self-sufficient manner. In general terms, that many people are 'asset rich, cash poor'. The general belief is that these are members of society that can least afford a substantial increase in rates and there was also a strong link to the themes of 'Fairness' and 'Services' which will be discussed separately.

There was general consensus among property owners that would receive a large increase in rates as a result of introducing a Capital Value rating system next year, was that this would be unaffordable and too onerous for them. A number of people indicated that they have not been given enough warning of the potential increases and therefore have not been able to budget for them and several suggested that the increases should be staged over a number of years so that the cost will be more manageable for them.

Maintenance/Improvement Deterrent

A common theme from those who provided feedback was that the introduction of a Capital Value rating system would result in people being less able to afford to maintain their properties and/or less willing to improve their properties. This theme is linked with the 'Affordability' and 'District/Economic Effects' themes as a number of people raised their concern that property owners that would receive large increases as a result of this proposal would be less able (or willing) to spend money on their property, and that maintenance would be deferred. This could have a negative effect on property values and on the character of the surrounding area.

A number of people also feared that a result of introducing a Capital Value rating system would be that homes of poorer quality would be constructed in the District or that people would be less willing to undertake improvements to their properties in an effort to keep their rates down. One person even indicated that they were reconsidering building a second garage on their property as they feared it may disproportionately increase the value of their property and therefore increase their rates.

A number of people also believed that introducing a Capital Value rating system was likely to result in an increase in the amount of building work being undertaken on properties without a building consent to avoid rates going up. Also some property owners might state that proposed improvements are worth less on a building consent application then they actually are in an effort to mislead QV when they assess the value of their property and again avoid their rates increasing.

District/Economic Effects

A notion that has surfaced throughout this feedback process is in regards to the District and/or Economic impact of moving to a CV rating system. This closely links in with the 'Deterrent for Improvements' theme, but also includes additional concerns, such as investment in land alone (rather than businesses and/or land + building property), and households (including young families and retirees) and businesses contemplating moving to the district being dissuaded by the CV based rates. A number of people also suggested that current Horowhenua households and businesses may, in fact, actively decide to move away from the District due to the change to CV rates. The deterrent for improvements factor has also been suggested will have an impact on overall 'liveability' of the District, with unkempt or older properties reducing the holistic value of the area.

A suggestion was also made that landlords would be more likely to provide substandard housing for tenants, as they would not want to incur any rates increases as a result of improving.

Services

There is a common theme in a number of feedback forms regarding rates as a payment for services. The theory is in contrast to the Shand Enquiry theory, in which rates are defined as a tax on property. A number of people have indicated that they would resent having an increase in rates (whether through a change to CV rating or a general increase) if the services they receive do not improve. This is common in the rural ratepayers, who do not believe they receive as many services (and/or to the same standard) as the urban ratepayers do, yet a CV system would increase their rates.

Implementation

Whether supporting or opposing a move to a CV rating system, a number of feedback form have highlighted that a phased system (changing systems in increments over a number of years) would ease the burden on those facing large increases. While generally supporting the change from LV to CV rating, Federated Farmers have highlighted a desire on behalf of the farming community for a farming differential to be included, to distinguish between commercial operations and farming properties. An additional recommendation from the Farming Sector is to introduce remissions on SUIPs, specifically when a number of titles are being farmed as one business. Utilities (Electra and KCE) have also requested a separate differential for their sector, as have registered Retirement Villages, through the feedback from Retirement Villages Association. A list of the potential option suggested is included on page 12.

A number of businesses and individuals have spoken about the financial impact of such a change. If a change in rating system did result from the draft LTP process, for those with potentially significantly large increases, their ability to cover this cost at short notice (as the final rating system will not be concluded until May or June 2014), would be difficult. Because of this, a number of feedback forms have noted that if change were to happen, whether it could be phased in to assist households and businesses in their budgeting. This was especially pertinent for fixed income households.

An additional factor that caused some people unease was the uncertainty of potential rates rises, combined with the possible change in rating system. General rates increases are not known yet, and hence it is even more difficult for people to be able to budget for the 2014/2015 with the combined factors.

Lack of Policy or Knowledge

A theme that was raised during the General Public meeting and that carried through to the feedback from a small number of people was the lack of supporting policy behind the proposed rating system change. Concern was expressed about a lack of supporting data. The feedback provided questioned where was the data that supports subsidies to existing businesses and to promote new business?

Other feedback suggested that the proposal shows a complete lack of knowledge of the region's residents. The proposal reflects a gross generalisation about the people living here and takes no account of individual's situations, mortgages or incomes.

The potential disconnect between the vision of being the best rural lifestyle district yet targeting the rural lifestylers through the rating proposal was identified. It was questioned whether this is still the Council's vision, if so why is it undermining it?

Confusion

The pre-consultation process highlighted that there is significant confusion around the rating proposal and that even the current rating system is not well understood by many of the general public.

A large number of people that provided feedback saw this proposal as a way for Council to raise rates and increase the total rates income. Many believe that this is a Council conspiracy or that Council has a hidden agenda behind the proposed change with some people making comments along the line of "it's just a sneaky way of revenue gathering".

There was evidence of confusion over why the rating system is being reviewed. Many of those that provided feedback did not understand how they are currently rated or did not perceive the current system to be 'broken'. They question why Council is going to all this expense and creating this anxiety if the bottom line is not going to move? Others were surprised that this review was not identified in Council's previous Annual Plan or Long Term Plan processes.

Some people expressed confusion over why a rating system based on capital value would be simpler than land based rates values, after all they are both just sets of figures and both are easy enough to understand.

The feedback highlighted the poor understanding of the rating proposal. One example is that a person thought that if they get a pay increase at work, they would then have to pay more rates under the proposed rating system. Other examples included those who were under the impression that currently everybody paid the same amount of rates.

Generally there seemed to be a poor understanding of how the differential worked and why businesses currently pay 29% of the general rate and 35% of the roading rate. Not many people realised that this proportion was currently in place or why it was set at these levels.

Strong feelings were expressed by some contending that local government rates are not a tax and should not be described as such. Their view is that rates should be seen as a shared contribution to the cost of providing the services to the community. Related to this was the confusion by some that the current rating system is a services based rating system.

Further confusion was apparent with questions raised regarding where services such as street lighting and stormwater are privately provided within a development (e.g. Rangeview) why there was not a corresponding reduction in the rates Council charges. Some rural lifestyle residents believe they are being hit twice, by virtue of paying Council rates and then having to pay to have their own effluent disposal systems cleaned and maintained.

Other points of confusion included the relationship between Development Contributions and rates, and the thinking that HDC was responsible for setting the thresholds for rates rebates. There was also confusion about how this Council's rates compare to other Councils. There is a belief held by some ratepayers that the our rates are already one of the highest of all of the districts in New Zealand

As has been touched on earlier in this paper, there has been confusion over the consultation process. With numerous people expecting to have the opportunity to speak to their 'submission' as part of this pre-consultation process.

Other Options Suggested through the feedback

- Fixed rate for everyone.
- Fixed rate for roading so it's the same for all - just like they do at KCDC.
- Fixed rate for those on the age benefit.
- Tax or rate based on income.
- Treat and rate all residential property owners the same regardless of where they are in the District.
- Proportion rates based on the services given and include an adjustment for properties that are unfairly charged higher rates.
- Undertake a review of services, once the review has been conducted a professional independent rating review can also be conducted to assess the fairest rating option including property classifications and differentials. That AV be included as this is acknowledged by some as being the fairest in the modern environment.
- Include a third differential for the farming community, to distinguish between commercial operations and farming properties.
- Introduce remissions on SUIPs, specifically when a number of titles form part of a single farming business.
- Include a Utilities differential.
- Include a differential for retirement villages.
- Include a differential for Waitarere Beach to recognise the uniqueness of the residents.
- Have two differentials (under land value) – one for Urban and one for Rural.
- Have a Rural business differential, Urban business and Utilities differential.

- There should be a rural community differentiation to town based rates.
- A poll tax based on the number of people residing in a house.
- A pan tax – people with more than one bathroom or toilet should pay more.
- Build in a transition period to soften the rates shock and make the change more affordable.
- Stick with the status quo.
- Wait two years before introducing it to allow people to sell their properties if they can't afford the change.