

# FINANCIAL POLICIES 16/17

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Full Submissions 18 May 2016





# CRUICKSHANK-PEARSON, ANDREA

Wakatipu

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## REVENUE AND FINANCING POLICY

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### RATING POLICY

There is a shortage of workers accommodation in Queenstown that is known. With soaring rent prices many families I know have been forced to take on students or an extra job to cover increasing rent or mortgage expenses. The depletion of available sections for building and increase in house prices has driven many to rent which is placing many families in financial strife and more children under 5 into care younger. If the rating situation allowed for residential flats to be less costly when attached to a resident and also if the council encouraged new builds to include granny flats or residential flats with their dwelling making the consent process easier and less expensive this would increase the number of locals able to afford to build and remain in Queenstown while increasing the number of worker accommodation and housing for visitors and extended family. Including the potential income from residential additional flat to a build when applying for a loan greatly increases the ability to build at all in Queenstown.

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## DEVELOPMENT CONTRIBUTION POLICY

# THOMPSON, ANGELA

Wakatipu

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## REVENUE AND FINANCING POLICY

This is a good idea to keep rate costs down.

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## RATING POLICY

No.

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## DEVELOPMENT CONTRIBUTION POLICY

# WANAKA GOLF CLUB INCORPORATED BADGER, KIM

Wanaka/Upper Clutha

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## REVENUE AND FINANCING POLICY

Environmental Health - Food Premises Fees. We do not believe that Not For Profit organisations should be charged more fees. Unlike privately owned businesses, the golf club can not pass on the extra costs to operate to the consumer. Club's often have to provide food for visiting players and rely on low costs and volunteers to be able to do so for the sport. Clubs only provide to members and visiting golfers, not the general public, so should not be charged the same as a business that is open to the general public.

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## RATING POLICY

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## DEVELOPMENT CONTRIBUTION POLICY

Where a developer can make a lot of money out of land, this always comes at a cost to others. Developers should have to contribute to many more things than they currently do. They should contribute more to the infrastructure that their development affects. Particularly, increased traffic on roads. The 3 parks developer should be contributing to the project of Ballantyne Road, an underpass or round a bout.

# WILLOWRIDGE DEVELOPMENTS LIMITED DEVLIN, ALISON

Wanaka/Upper Clutha

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## REVENUE AND FINANCING POLICY

Willowridge considers the proposal to increase the resource consent charge out rates is unjustified and unreasonable. Willowridge submits numerous resource consent applications over the course of a year and is continually dismayed at the fee's that are incurred during the processing of these applications. At the most simple level, a straightforward Willowridge application to vary a condition of an existing consent incurred a fee of \$1165.58. A more complex application can be in the region of \$20k to \$30k. The overall fee's seem unjustifiably high for the processing work undertaken. The invoices that the applicant receives contains very little detail as to what the charges relate to, which can leave the applicant even more dismayed and uncertain about what they are actually paying for. Willowridge also undertakes work in the Dunedin City Council area and on completion of processing of an application more often than not receives a refund of part of the deposit fee rather than an invoice for additional fee's. The deposit fee's are similar to the QLDC deposit fee's so the disparate costs in processing are difficult to understand. Willowridge is concerned that the current charge out rates make applying for resource consent almost unaffordable for the average homeowner. The proposed increases make the process even more unaffordable for all future applicants. In 2012 QLDC consulted on a proposal to introduce fixed resource consent fee's. The model proposed at the time contained certain flaws but the principle was positive in that it would provide clarity for the applicant as well as ensuring efficient, cost-effective processing of applications by QLDC. Willowridge requests that QLDC give further consideration to a fixed-fee regime and retains the current charge-out rates until a fixed fee system has been investigated.

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## RATING POLICY

Willowridge opposes the proposed policy to change the rating of undeveloped land with zoning. Willowridge understands that Council has promoted this in an attempt to deter developers from land banking. Willowridge is concerned that the policy will actually result in inefficient and inappropriate subdivision and development as the owners of zoned land attempt to dispose of the land as quickly as possible to avoid paying exorbitant rates bills. For example, Willowridge's sister company Orchard Road Holdings Limited (ORHL) has industrial land on Ballantyne Road. ORHL is developing this land to meet a medium-term demand and is subdividing and releasing land as the market demands. Rather than paying the increased holding costs that the policy would introduce, it may be more feasible for a company such as ORHL to sell off large sections at reduced prices, which would be an inefficient use of valuable business land and result in a poor planning outcome for the town. Willowridge submits that this policy is not targeted enough to achieve its purpose and will have a wider negative effect on efficient urban land development in the District.

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## DEVELOPMENT CONTRIBUTION POLICY

Willowridge opposes the proposed Water and Waste Water contributions for Hawea and request that the calculations are peer reviewed. Our reason for this is that for both these services council have appeared to attribute a very large proportion of previous and proposed capital expenditure towards new development rather than more correctly attributing that across the whole of the existing township. For both these services it is not a capacity issue that has caused the upgrades. Rather in the case of water, a new intake was required to achieve water quality standards

. In the case of waste water again the upgrades are not capacity issues but also environmental , no longer can the town dispose of waste water to the Hawea river and a land based disposal is needed . If council recalculate these figures across all users the DC component will in our view be a very much lower figure. We believe this is the reason why both these DC figures are so high and contribute to making Hawea one of the very highest DC contributions in the whole district. The current development contributions for Hawea (2015/2016) allowed Willowridge to release 32 affordable sections to the market. 30 of these were sold within hours mainly to young families and first home owners. The proposed development contributions for Hawea once again make the development of affordable sections unviable and will likely put Willowridges plans for Stage 6 of Timsfield on hold.

# MCLEOD, SEAN

Wakatipu

## REVENUE AND FINANCING POLICY

Dog control - the 10% increase is only likely to happen with a small number of dog the actual registration increase could be between 92% and 128% , there needs to be a better definition for effective fencing and consideration of other methods of restraint and containment, and better definition of positive history ie is this that the dog has been to the pound or does it include a visit from dog control because a neighbor complained about barking? I don't disagree that pound fees for roaming dogs and dog attacks should be increased. By-law and general enforcement - It does not make sense that the private funding ratio increases from 30-40% for the the enforcement of freedom campers nor that it costs \$718,000 to do this. Supply more bins and toilets in easily accessible areas allowing people to stay there or alternatively encourage them to use the camping ground by reducing the cost from \$50 per person. Why would a family of 4 spend \$220 a night to stay at Lake view in a camper van that they are already spending \$200 a day for self contained van, why not park on the side of the road somewhere? RC admin - Applicants already pay on an hourly rate that is about 3 times the wage cost so the full cost of the application is already being paid for by the applicant. Some of the consents are processed by other consultants and the applicant also pays for this at a commercial rate. To increase the rates because council can not run to an economic business model is not fair or reasonable. QLDCs compliance to statutory requirements from the government and the requirement for council to answer inquiries from rate payers also should not be considered in the equation and the funding target should probably be lower than the 80% being aimed for and closer to 60% that is actually recovered already. Council should look at rating on a square metre of dwelling rate rather than per dwelling. I have empty land that I could develop adjoining and existing 3 bedroom dwelling. I would like to build 3 smaller 1 bedroom flats on the property rather than a 3 bedroom house. This is so my three children can afford to stay and live in Queenstown in the future but the current planning rules, development contributions and rating rules penalize this type of development More should be budgeted for and spent on compliance with existing rules.

## RATING POLICY

Residential Flats - My comments were in the submission on the annual plan and include a large statement on visitor accommodation but from the statement "If this same property included a residential flat, the total rates payable would increase by \$1,509 per annum to \$4,006; an increase of over 60%. If this same property with a flat, was registered as homestay, the total rates payable (as mixed use) would increase by \$700 per annum to \$3,197; an increase of 28%." it seems to me that residential flats are unfairly penalized and it gets worse if you consider a 5 bedroom house compared to a 3 bedroom house with a residential flat or 2. The rating policy also has the comment "Those who benefit from QLDC services (including secondary beneficiaries) should contribute to costs". So maybe it should not be the residential flats being decreased as they still use services but should in fact be the visitor accommodation that is increased significantly. I hope that there is a mistake on page 126 where the differential is shown as 1.4x making the rates dearer rather than the 0.4x making the rates cheaper as suggested. Any differential for the residential flat should actually be based on the size of a flat compared to a 160 square meter standard dwelling. ie a 40m2 single bedroom flat will pay less than a 60m2 two bedroom flat. Full rates should be charged in the first instance and it be up to the rate payer to come in and prove the size of the residential flat to obtain the discounted rates. I do not believe that increasing the rates on undeveloped land will make any significant difference and will only increase the cost of the land on subdivision and produce other problems if all the land is developed suddenly. Any increase in the cost of the use of aquatic centre is likely to lead to a decrease in use and as a result a decrease in the overall income. If the hydro slide seems to require such a large increase to cover costs then maybe it should be only open limited hours or closed down altogether. As the slides at the complex are only small then comparing it to the cost of slides in other areas then it should actually be a smaller cost. Overall as a family it is cheaper to use the pool in Cromwell, as we travel over there regularly for sport this is likely to continue and makes the increase in the child's cost nonsensical if using the compared to other areas used for the slide increase

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## DEVELOPMENT CONTRIBUTION POLICY

Council is changing its rating rules on residential flats and undeveloped land to try and encourage development of residential flats and undeveloped land. I believe it will make little difference as other factors stop the construction of residential flats such as the development contributions. A \$900 decrease in rates over the next 10 years still doesn't cover the development contributions payable in the first instance. If Council is serious about increasing the number of residential flats then they should also look at decreasing the development contributions. If council is serious about encouraging infill development close to the centre of Queenstown and the creation of lower cost dwellings then they should also look at dropping the requirement for development contributions for infill development or for 1 lot into 2 subdivisions altogether just as has already been done for reserves contributions. This does not need to be district wide just maybe Fernhill, Sunshine Bay, Queenstown Hill and suburbs off Frankton Road.



# WILLIAMS, DI

Wakatipu

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## REVENUE AND FINANCING POLICY

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### RATING POLICY

Funding & Rates Review Report 2016 • If Freedom Camping remains, increase the fees and penalties so that it is 100% self-funded. • Alcohol Licensing – increase the private funding target to 100% by end of 2017/18 year. • Dog Control - Increase the private funding target to 100% by end of 2017/18 year.

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## DEVELOPMENT CONTRIBUTION POLICY

# NORTHLAKE INVESTMENTS LIMITED HILL, ROSIE

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## REVENUE AND FINANCING POLICY

Please see attached document

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## RATING POLICY

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## DEVELOPMENT CONTRIBUTION POLICY

## Submission on Queenstown Lakes District Council Annual Plan 2016-17

**To:** **Queenstown Lakes District Council**  
PO Box 50072  
Queenstown 9348

**Name of Submitter:** **Northlake Investments Limited**  
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### 1. **Introduction**

1.1 This is a submission on behalf of Northlake Investments Limited ("**Northlake**" or "**Submitter**") on the Queenstown Lakes District Council ("**Council**") Draft Annual Plan 2016-17 supporting document ("**Annual Plan**").

1.2 The Northlake land which is the subject of this Submission is approximately 110 hectares of land adjacent to Outlet Road in Wanaka. The land is legally described as;

Lot 65-66 DP 371470 (CFR 290932)

Lot 67-68 DP 371470 (CFR 290934)

Lot 69 DP 371470 (CFR 290935)

Lot 3 DP 300408 (CFR 2486)

Lot 1 DP 27290 (CFR OT19A/448)

1.3 The specific issues of the Draft Annual Plan which this Submission relates to are the proposed changes to the differential rating system used by the Council and as identified in its Funding Impact Statement.

1.4 This submission has been structured in two sections;

- Specific submission in relation to the land owned by Northlake; and
- General submission on behalf of Northlake.

### 2. **Specific Submission: Issues relating to the Submitter's Property**

2.1 Northlake's Submission is as follows;

- (a) Northlake made a private plan change request in association with Allenby Farms Ltd and the Stokes–Gilbertson family to re-zone approximately 220 hectares of Rural General zoned land to a new Special Zoning, referred to as the Northlake Special Zone.
- (b) The Environment Court approved the zoning in an Interim Decision [2015] NZEnvC139 dated 21 August 2015, and subsequently confirmed the zoning by Final Decision [2015] NZEnvC 196 dated 17 November 2015.

- (c) The Northlake Special Zone is therefore now operative. The land owned by Northlake is currently rated as Primary Industry. The master plan for the Zone enables long term staged development to meet market and community needs as they arise.
- (d) The land is maintained in a pastoral state to retain the amenity values of the land and keep it in a good condition until it is ready for development.
- (e) As stated above, the Northlake land has only been zoned for development since 17 November 2015. The Northlake zone provides for approximately 1,500 dwellings. For practical development reasons it would not be possible to bring all that development onto the market at the same time (ignoring the fact that there are four landowners involved) and it would not be commercially appropriate to even attempt to do that.
- (f) Northlake has already commenced development of its land and is supplying residential lots to the market as fast as Northlake can reasonably achieve. Northlake considers that it is entirely inappropriate for the Council to seek to penalise Northlake, through an increase in rates, under these circumstances. Northlake should be allowed an appropriate period of time within which to develop and sell its land before Council should give any consideration to levying what appears to be a financial penalty to deter 'landbanking'.

2.2 Northlake comments on the Council's five intended objectives, as they relate to Northlake's land.

*Encouraging release of zoned land*

2.3 The proposed increase in rates will not provide any encouragement to Northlake to release this zoned land onto the market. Northlake will release the land when the market is able to accept it and in accordance with the whole zone-wide master planned approach.

*Promoting affordability*

2.4 The proposed rating increase will not do anything to promote affordability of housing in the Northlake Zone. The housing and section prices within the Zone have been, and will be, carefully planned to provide a range of housing opportunities which is unlikely to fluctuate substantially over the near future and which will not be affected by rates.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

2.5 QLDC has not incurred and will not incur any holding costs in relation to infrastructure for the Northlake Special Zone land. There is a carefully developed structure plan in place and contained in the District Plan, and liaison with the infrastructure engineers at QLDC has been comprehensive and ongoing over a number of years. These were all issues traversed at the plan change stage and Council supported the position taken by the landowners through the Environment Court proceedings. In particular:

- (a) Evidence presented at the Environment Court hearing established that the approval of the Northlake Special Zone would not result in any increased infrastructure costs being incurred by the Council or other ratepayers;
- (b) The Northlake landowners will be responsible for upgrading the Council water supply system as necessary to supply the Northlake Zone, and that upgrade (primarily increased storage) will have benefits for the Council's wider reticulated potable water supply system;
- (c) The only upgrade required to sewerage infrastructure to service Northlake is the upgrade of one pipeline which was already scheduled to be upgraded regardless of whether or not the Northlake Special Zone was approved. Development within

Northlake will contribute to that previously required upgrade, thereby reducing the Council's holding costs;

*Deterring "landbanking" by landowners*

- 2.6 The proposed rating increase will not have any effect on Northlake's intentions or decisions to develop its land. Northlake does not consider it reasonable that such an approach be considered by the Council as landbanking where it is being held for a reasonable time and for a legitimate purpose. It is noted that Northlake is actively developing the land with various consent applications being processed by QLDC currently. Rather than landbanking, Northlake is doing everything possible to make this land available to alleviate the existing dearth of reasonably priced residential land in the District.

*Avoiding expensive plan changes to enable development elsewhere*

- 2.7 Northlake cannot see how the proposed rating increase will assist Council to avoid expensive plan changes. The Northlake land has already been confirmed as a special zone. The approval of the Northlake Special Zone will provide an increased supply of residential land to the Wanaka market for some years into the future. There is no basis for any suggestion that the Council will have to undertake any expensive plan changes to enable residential development elsewhere within the Wanaka area.
- 2.8 **Relief Requested** – Northlake requests the following relief arising from matters detailed in this Submission:
- (a) That the proposed differential rating amendments be abandoned; **OR**
  - (b) That the proposed rating amendments not apply to the existing Northlake Special Zone; **OR**
  - (c) The new rating differential only apply to land zoned for residential development, within an area serviced by Council infrastructure, when the landowner has been able to develop, and has not carried out any development, for a minimum period of, say, 10 years.

3. **Summary of General Submission**

- 3.1 The changes proposed by Council detailed in the Funding Impact Statement through its Annual Plan 2016-17 are **opposed** by DPL because the intended changes are fundamentally flawed. The premise of rates is to generate income for local authorities to provide services which are then delivered to those rating units. The changes proposed to the definitions of Vacant Sections and Primary Industries to increase income from rates levied against those units is not based upon the provision of additional or extra services to those units. The changes therefore do not serve a legitimate purpose.
- 3.2 The mechanism of instigating this change through the proposed definitions is problematic as it is so broad it potentially captures a huge range of properties within the District, from rural general land which is capable of obtaining discretionary consent to subdivide, to visitor accommodation subzones with controlled activity status for buildings, to residential zoned land which is yet to be built on. The Submitter assumes the latter is the only category intended to be caught by the changes, but that is not the effect of the changes.
- 3.3 In addition to and without derogating from the general reasons above, the Submitter opposes the changes for the following reasons:
- (a) The amendments proposed to the definitions of differential rating categories are ambiguous and do not provide certainty for ratepayers as to the rating status of land;



- (b) The amendments do not achieve the desired objectives of Council which are relied on to support the amendments;
- (c) The amendments are not in accordance with Council's Guiding Principles as cited in the Annual Plan;
- (d) This proposed differential rate is not consistent with the scheme and purpose of the Local Government Act 2002 (Schedule 10) and the Local Government (Rating) Act 2002 (Schedule 2); and
- (e) The decision to make the proposed definition changes to differential rating categories is not a fair and reasonable decision for the Council to make, and has not been made in accordance with the decision-making requirements of section 77 of the Local Government Act 2002.

#### 4. Definition/Interpretation Problems

- 4.1 The proposed amendments referred to throughout this submission are the proposed definition changes to the differential rating categories known as '*Vacant Sections*' and '*Primary Industries*' contained within the QLDC Funding Impact Statement. The definition changes are proposed as follows (track changes have been included by the submitter as no track changes have been included in the consultation documents).

##### *Vacant Sections/Zoned Land (Proposed)*

*"All rating units which are vacant properties and suitable for development or land zoned for development but used as Primary Industry".*

...

##### *Primary Industry (Proposed)*

*"All rating units:*

- Used exclusively or principally for agricultural or horticultural purposes including dairying, stock fattening, arable farming, share sheep, market gardens, vineyards, orchards, specialist livestock, forestry or other similar uses, or*
- Which are ten hectares or more in area and located in any of the Rural or Special Zones contained in the Queenstown Lakes District Council's District Plan as at 1 July of the current rating year.*
- But excluding all properties used as Primary Industry but rated under Category 3 Vacant Sections/Zoned Land".*

- 4.2 The amendments identified above give rise to the following definition and interpretation problems:

- (d) All land in the district is zoned for development to a greater or lesser degree, ranging from (easy) permitted activity residential development in residential zones through to (difficult) discretionary residential activities in outstanding natural landscapes. Therefore the definition potentially catches all land.
- (e) It is unclear whether the phrase "... used as Primary Industry ..." in both amended sections quoted above is intended to capture just the first bullet point in the definition of Primary Industry or the first and second bullet points. Therefore it is unclear whether the amended provisions are just intended to apply to properties in excess of 10ha which are zoned for development, or whether they are intended to apply to all properties zoned for development regardless of size.

- 4.3 Given the definition and interpretation problems identified above, it is difficult to see how the Council can make the statement on page 127 of the Annual Plan that "*There are estimated to be fewer than 20 properties which are currently rated as Primary Industry but are zoned for development and which will be impacted by the proposal to rate by zoning instead of usage*". If that statement is in fact true, then it is submitted that the amendments quoted above do not achieve that intention.
- 4.4 It is submitted that, at the very least:
- (1) The generic phrase "*zoned for development*" should be replaced with reference to specific zonings intended to be captured;
  - (2) The amendments should be clarified as to whether the 10ha trigger applies.

**5. The amendments do not achieve the desired objectives of Council**

- 5.1 The Funding and Rates Review Report 2016, which appears to be the main justification for the proposed amendments to the differential rating category definitions is a high-level policy document which fails to assess actual costs and benefits of the proposed changes and lacks real quantitative and qualitative analysis. The Report is not divided into sections and does not include page numbers, but the relevant pages of the Report are attached as "**Appendix A**". The Report does not explain how the amendments will achieve the Council's identified objectives.

*Encouraging release of zoned land*

- 5.2 There is no explanation or analysis explaining how the proposed rating increase will encourage the release of zoned land. That would only apply if the economic incentive arising from the rate increase resulted in a development decision that it is preferable to develop and sell the land rather than to continue to incur the rating costs. However the holding cost of rates is a minor factor in any overall decision as to whether to hold or develop land which is able to be developed. There is no evidence or analysis supporting a contention that the proposed rate increase has any reasonable chance of causing a change in decisions about development.

*Promoting affordability*

- 5.3 There is no evidence or analysis explaining how the proposed increase in rates will promote the affordability of housing.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

- 5.4 Land rated under the Primary Industry category is already paying rates in respect of services which that land either does not use or only uses to a minimal extent (such as roading). There is no explanation or justification as to why the existing Primary Industry rating differential does not already provide adequate reimbursement to Council for any relevant holding costs.
- 5.5 There is no analysis of the "holding costs" which are being referred to. Such "holding costs" relate primarily to infrastructure services such as sewerage and potable water supply. If those are the "holding costs" being referred to, and without taking away from the previous point, the proposed rating differential increase should be limited to land zoned for development located within rating areas where QLDC provides specific infrastructural services such as sewerage and water supply.
- 5.6 This rating change will result in undeveloped land, currently being used for Primary Industry, being levied with a stormwater rate which was not previously levied against such land. No explanation or justification for that change has been provided.

*Deterring "landbanking" by landowners*

- 5.7 The points made above under the heading "*Encouraging release of zoned land*" also apply here. There is no explanation or justification as to how the proposed rating increase will provide economic incentives sufficient to change decisions made about whether or not land should be developed.

*Avoiding expensive plan changes to enable development elsewhere*

- 5.8 No examples have been given of where the Council has incurred any cost in relation to "*expensive plan changes*" as a result of lack of availability of land for development. All recent plan changes providing for housing in particular have been private plan changes and/or public plan changes where private developers have carried the cost. The District Plan Review is an expense Council must incur regardless because of statutory requirements. No justification at all under this heading has been provided.

**6. The amendments are ambiguous and unnecessarily broad**

- 6.1 Schedule 2 of the Local Government (Rating) Act 2002 attached as ("**Appendix B**") sets out the matters that must be used to define categories of rateable land. It is not explicit in the Consultation Documents which category of Schedule 2 is being relied upon, but it is assumed to be subclause 2, given the early stages at which the Proposed District Plan is at. Sub-clause 2 is as follows:

"...

*(2) The activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative district plan or regional plan under the Resource Management Act 1991".*

- 6.2 Without further explanation of the definition change to '*Vacant Sections*', it is assumed that '*zoned for development...*' will include any land within the Operative District Plan which can be 'developed' in accordance with the permitted, controlled, and discretionary activity rules of the rating unit's underlying zone. That covers all land in the District.

- 6.3 The interpretation to be given to that definition, or its intent is not discussed within the Consultation Documents, and the submitter is concerned it will have very wide-ranging consequences. A definition of 'development' in the Local Government Act 2002 may be of assistance (as it applies to development contributions):

*"development means—*

*(a) any subdivision, building (as defined in section 8 of the Building Act 2004), land use, or work that generates a demand for reserves, network infrastructure, or community infrastructure; but*

*(b) does not include the pipes or lines of a network utility operator"*

- 6.4 The definition of '*development*' above is inherently broad and captures land use which essentially means to alter the land in a way that adds monetary value to it. Most development within the Lakes District, regardless of what underlying zoning it has, will be captured by the above definition of '*development*'.

- 6.5 The definition of '*Vacant Section*' does not appear to discern between types of development or different types of zones, therefore the definition could potentially capture everything from land with underlying commercial zoning with permitted activity status for intensive development, through to land in the Rural General Zone which has discretionary activity status for subdivision and the identification of building platforms.

- 6.6 A Rural General zoned area of land which is over 10 hectares or is currently being farmed, but which could in theory be developed through discretionary applications under the Operative Plan, would potentially be caught within the definition change but would not assist in resolving Council's identified issues such as land banking and increasing housing affordability.
- 6.7 It is assumed the Council's rating policy is not intended to catch the latter scenario and therefore the definition of Vacant Section is unnecessarily broad and ambiguous.
- 6.8 Other examples of this definition change capturing unintended rating units could include:
- (a) Land with underlying rural living development potential such as in the Rural Lifestyle and Rural Residential zones;
  - (b) Special Zones which include Ski Area Subzones/Visitor Accommodation Subzones; and
  - (c) Recently zoned greenfield developments which might have a staged long-term master-planned approach to development in order to meet community and planning needs.
- 6.9 All of the above examples provide significant positive benefits to the community but are not necessarily capable of mitigating a shortage of affordable housing supply or increasing the availability of residential land for residential purposes. Any such definition change to the differential rating categories should therefore exclude the above examples so as to only capture land with appropriate zoning, such as residential zoned land with controlled or permitted activity status for residential development which is serviced by Council infrastructure.

## 7. **The amendments are not in accordance with the Guiding Principles**

- 7.1 The Draft Annual Plan Consultation Document, at page 121 States the following Guiding Principles are relevant in proposing changes to the funding/rating system:

### *"Guiding Principles*

*The guiding principles that were adopted during previous reviews were endorsed:*

- *equity, i.e. as far as possible the system should be fair to all ratepayers.*
- *transparency, i.e. the system should be able to be understood by ratepayers and all activities within it should be clear for all to observe.*
- *enforceability, i.e. the system should be administratively simple to operate and able to be complied with,*
- *The rating system should deliver allocations of costs that are justifiable.*
- *Those who benefit from QLDC services (including secondary beneficiaries) should contribute to costs.*
- *The rating system should be consistent with QLDC's objectives, so that desired outcomes are complemented or advanced."*

- 7.2 The proposed definition changes are not transparent and enforceable as they are inherently ambiguous. The Consultation Documents provided for public comment lack clarity and detail so as to enable the public to address concerns on the proposal. There is no explanation as to

how broad the definition of Vacant Sections is intended to apply and how the wording of that definition change is intended to be interpreted.

- 7.3 As discussed in the preceding section of this submission, it is not clear how 'development' is to be construed and whether this would include all activities capable of obtaining resource consent in all zones, or whether it is intended to apply only to certain activity statuses within certain zones.
- 7.4 The definition change to Vacant Sections which might capture non-residential land is not justifiable as it does not address the issues identified by Council as sought to be remedied by this proposed change. The amendments will create an additional cost atop an already complex land development process in the District. Those landowners already are facing steady increases in costs from Council's development contributions, process charges, and increasing needs for more information as part of development.
- 7.5 Council has also identified the potential complexity and additional cost arising from the proposed definition changes at page 127 of the Draft Annual Plan Consultation Document where it is acknowledged that:

*"However, there are some administration issues with this proposal. The main one relates to the mismatch that often exists between cadastral boundaries and zoning areas. This means that the existing rating unit will often comprise more than one zone. In order to set rates on the zoning, a series of rating divisions or apportionments will be necessary"*

- 7.6 The above scenario is unacceptable where landowners may own a rating unit which contains a very small portion of land with 'zoning for development' and would face an increase in rates despite the reality that development potential of the land is very unlikely.
- 7.7 The additional rating cost does not relate to provision of any additional services. That is fundamentally contrary to at least 2 of the Guiding Principles quoted above.

## **8. Local Government Act 2002- Rating and Annual Plan requirements**

- 8.1 It is submitted that the changes proposed to the differential rating category definitions contained within the Funding Impact Statement are inherently flawed as they do not accord with the relevant provisions of local government legislation.
- 8.2 Schedule 10 of the Local Government Act 2002 (**LGA**) sets out the mandatory and optional requirements for territorial authorities to include in long-term plans, annual plans, and annual reports. Clause 20 of Schedule 10 establishes that an annual plan must include a 'funding impact statement' for the year to which the plan relates, and describes the form and contents required for the funding impact statement. Clause 20(3) in particular states the requirements for where rates are to be set differentially as follows:

*"(3) If the sources of funding include a general rate, the funding impact statement must—*

*...*

*(c) state whether the general rate is to be set differentially and, if so,—*

*(i) the categories of rateable land, within the meaning of section 14 of the Local Government (Rating) Act 2002, to be used; and*



*(ii) the objectives of the differential rate, in terms of the total revenue sought from each category of rateable land or the relationship between the rates set on rateable land in each category".*

8.3 Page 126 of the Draft Annual Plan Supporting Document states the following:

*"The rating legislation certainly allows QLDC to differentiate on the basis of existing or proposed zoning (Schedule 2 Local Government (Rating) Act 2002). The objective of any proposal to rate on the basis of zoning rather than current usage will need to be explicit. The following issues were discussed:*

*a) Encouraging release of zoned land*

*b) Promoting affordability*

*c) Recovering "holding costs" incurred by QLDC in relation to infrastructure planning and provision.*

*d) Deterring "land banking" by land owners*

*e) Avoiding expensive plan changes to enable development elsewhere".*

8.4 The above extract appears to be copied from the relevant pages of the Report attached at Appendix A. Neither the Report nor the above 'explanation' from the Draft Annual Plan Support Document identify the objectives of the differential rates in accordance with clause 20 of the LGA, or explain the issues in a meaningful way, despite acknowledging that such an explanation must be 'explicit'.

8.5 A detailed analysis of the above 'issues' is addressed above.

9. **The amendments are not in accordance with fair and reasonable local government decision making**

9.1 *Current and future needs of the community*

(a) Section 101(1) of the LGA sets out an overarching principle for the local authority to consider when setting its revenue and financing policies within its planning instruments, s 101(1) states:

*"(1) A local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community".*

(b) Although the funding principles set out in the subsequent sub sections of 101 are related to matters to consider when establishing sources of funding for particular activities, the above consideration is overarching for all revenue considerations of Council, including the general rating system.

(c) There is no evidence in the Annual Plan Supporting Document that the Council has considered whether or how the increased revenue from the proposed differential rating categories will promote the current and future interests of the community. The Council assumes firstly that the rating increase will encourage development and secondly that if all vacant land with zoning for development were encouraged to develop in the near future this would promote housing supply and affordability.

- (d) It is submitted that, neither of these assumptions are validated in the Council Consideration Documents. It is usually the case that development is not the cause of growth but rather follows and responds to growth trends. If there is no growth in an area, it is unlikely to be developed. However, when an area experiences significant growth then development within the area occurs as a consequence. It is unreasonable and unjustified to penalise a landowner ratepayer where that person owns land which might be developed for, say, community or recreational or commercial purposes within a greenfield development but there is not yet the market demand for such services to be provided. In that instance a staged long-term approach is often more appropriate and will lead to better integrated and well considered planning outcomes.

## 9.2 Significant decisions under section 77 LGA

- (a) Council has correctly recognised the proposed amendments as being a 'significant decision' in accordance with its Significance and Engagement Policy and in accordance with section 76AA of the LGA.
- (b) Significant decisions must be made in accordance the factors in sections 76-79 of the LGA in addition to general common law principles of good judicial decision-making. The relevant sections of the LGA are set out below:

### *"77 Requirements in relation to decisions*

*(1) A local authority must, in the course of the decision-making process,—*

*(a) seek to identify all reasonably practicable options for the achievement of the objective of a decision; and*

*(b) assess the options in terms of their advantages and disadvantages; and*

*(c) if any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga.*

*(2) This section is subject to section 79".*

....

### *"79 Compliance with procedures in relation to decisions*

*(1) It is the responsibility of a local authority to make, in its discretion, judgments—*

*(a) about how to achieve compliance with sections 77 and 78 that is largely in proportion to the significance of the matters affected by the decision as determined in accordance with the policy under section 76AA; and*

*(b) about, in particular,—*

*(i) the extent to which different options are to be identified and assessed; and*

*(ii) the degree to which benefits and costs are to be quantified; and*

*(iii) the extent and detail of the information to be considered; and*

*(iv) the extent and nature of any written record to be kept of the manner in which it has complied with those sections." ...*

- (c) Council has not complied with the above provisions adequately. The only assessment in terms of section 77 options appears to be contained within the Council's Report for Agenda item 3 dated 24 March 2016 which considers only two options, one option being to consider the Funding and Rates Review report 2016 and to consult on the recommendations, and the other being to not consider the Report and not consult. There appears to be no quantified analysis as to options, benefits and costs of the substantive amendments themselves.

9.3 *Procedural impropriety*

- (a) Because of the above identified inconsistencies with the proposal in accordance with the LGA, it is submitted that the proposed definition changes, if included in the Funding Impact Statement, would be an illegitimate decision due to procedural impropriety. The mandatory considerations of the LGA do not appear to have been either expressly or impliedly addressed within the supporting documents for the proposed changes.

10. **Northlake seeks the relief requested in paragraph 2.8 above.**

11. **Northlake wishes to be heard in support of this Submission.**

12. **If others wish to make a similar submission, Northlake would be prepared to consider presenting a joint case with them at the hearing of the Draft Annual Plan 2016-17.**



.....  
Northlake Investments Limited  
By its duly authorised agents  
ANDERSON LLOYD  
Per: W P Goldsmith/ R E Hill  
Date: 29 April 2016

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## **FUNDING & RATES REVIEW REPORT 2016**

### **BACKGROUND**

Queenstown Lakes District Council (QLDC) last undertook a comprehensive review of the Funding Policy and Rating system during the 2011/12 year. QLDC has previously given a commitment that the funding/rating system would be reviewed on a three yearly basis. Normally, this review would have been undertaken as part of the Long Term Plan (LTP) process but was deferred for one year because of the need to focus on the implementation of new corporate software for the whole organisation during 2014/15.

New district-wide rating valuations came into effect from 1<sup>st</sup> July 2015 and the new LTP was adopted at the same time. It was therefore considered timely to instigate a funding/rating review during the 2015/16 year, which will have effect for the 2016/17 year.

The review was conducted by a working group made up of elected members supported by the Chief Financial Officer. This report summarises the recommended changes with the full Council having the final determination on any amendments to the Revenue and Financing Policy and the structure of the rating system.

### **SIGNIFICANCE OF DECISION**

The items covered by this report are considered to be significant under QLDC's Significance and Engagement Policy. It was recognised that any proposed changes to the Rates system or Revenue and Financing Policy would need to be incorporated into the draft Annual Plan for 2016/17 which is then subject to public consultation. The proposals to increase fees and charges for consenting activities under the Resource Management Act or Building Act, and for any fees and charges set under by-laws (i.e. Waterways), will require a separate dedicated report to Council and provides for a second formal opportunity to consult with ratepayers.

### **CONSULTATION - INTERESTED OR AFFECTED PERSONS**

The proposed changes to the Rates system or Revenue and Financing Policy will be incorporated into the Consultation Document for 2016/17 which is subject to public consultation. The proposals to increase fees and charges for consenting activities under the Resource Management Act or Building Act, and for any fees and charges set under by-laws (i.e. Waterways), will require use of the special consultative procedure. This will occur at a subsequent Council meeting.

### **RELEVANT COUNCIL POLICIES**

The following policy documents have been considered in the preparation of this report:

- The Revenue and Financing Policy (2012-22 LTP)
- Funding Impact Statement (2012-22 LTP)

### **REVIEW PROCESS**

From the outset, the importance of maintaining a structured approach to the review was recognised. For this reason, the review commenced with an overview of the current system

including the statutory framework and the relationship between the Revenue and Financing Policy and the Rating system.

The Revenue and Financing Policy indicates which funding tools are most appropriate for any given activity. Most of the focus for this part of the review was on those activities where funding targets are not being met. This is the first review since the amalgamation of Lakes Environmental and Lakes Leisure with QLDC in 2013/14.

The following activities have been reviewed in detail:

- Animal Control
- By-Law Enforcement
- Environmental Health
- Alcohol Licensing
- Waterways Facilities
- Waterways Control
- Building Control
- Resource Consents
- Aquatics

Generally, the review has resulted in changes to funding targets with some fee increases proposed for Animal Control (including dog registration); Environmental Health (including charges for food premises); Waterways; Resource Consents (including a review of staff charge out rates) and Aquatics (including pool charges).

From here, the following rates issues were considered:

- Rating of Residential Flats
- EECA proposal for Voluntary Targeted Rate for Residential insulation
- Rating of Land zoned for development but used as Primary Industry

These issues have arisen as a result of public submissions in the past 4 years or as a result of political concern. In summary, the report recommends a change in policy for the application of fixed charge rates on Residential Flats which will result in a reduction in rates for these properties. The report does not recommend the introduction of a Voluntary Targeted Rate for Residential insulation until the demand for this type of tool is better understood.

The report recommends a change in policy for the application of rates on Land zoned for development but used as Primary Industry, which will result in an increase in rates for these properties. These properties will be rated according to the underlying zoning rather than the current use (i.e. farming).

Finally, it has been necessary to evaluate the impacts of any proposed changes by recalculating the 2015/16 rates using the new proposals.

## **PROPOSED CHANGES TO THE QLDC FUNDING/RATING SYSTEM**

### **Guiding Principles**

The guiding principles that were adopted during previous reviews were endorsed:

- ♦ equity, i.e. as far as possible the system should be fair to all ratepayers.
- ♦ transparency, i.e. the system should be able to be understood by ratepayers and all activities within it should be clear for all to observe.



- ◆ enforceability, i.e. the system should be administratively simple to operate and able to be complied with,
- ◆ The rating system should deliver allocations of costs that are justifiable.
- ◆ Those who benefit from QLDC services (including secondary beneficiaries) should contribute to costs.
- ◆ The rating system should be consistent with QLDC's objectives, so that desired outcomes are complemented or advanced.

## **Revenue and Financing Policy**

Section 102 (2) of the Local Government Act 2002 requires each Council to adopt a Revenue and Financing Policy.

Section 103 outlines that this Policy must state the Council's policies in respect of the funding of both operating expenses and capital expenditure from listed sources, with the sources as outlined in section 103(2) being:

- a) *General rates including:*
  - (i) *choice of valuation system; and*
  - (ii) *differential rating; and*
  - (iii) *uniform annual general charges;*
- b) *targeted rates;*
- ba) *lump sum contributions;*
- c) *fees and charges;*
- d) *interests and dividends from investments;*
- e) *borrowing;*
- f) *proceeds from asset sales;*
- g) *development contributions;*
- h) *financial contributions under the Resource Management Act 1991;*
- i) *grants and subsidies;*
- j) *any other source.*

Section 101 (3) (b) states that in identifying the appropriate sources Council must consider the overall impact of any allocation of liability for revenue needs on the community. Council must also consider with regards to each activity to be funded:

- a) *the community outcomes to which the activity primarily contributes; and*
- b) *the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and*
- c) *the period in or over which those benefits are expected to occur; and*
- d) *the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and*
- e) *the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.*

## **Revenue and Financing Policy: Funding Issues**

A number of issues relating to the Revenue and Financing Policy in relation to the funding of particular activities were investigated. Most of the focus for this part of the review was on those activities where funding targets are not being met. This is the first review since the amalgamation of Lakes Environmental and Lakes Leisure with QLDC in 2013/14.

The following activities have been reviewed in detail:

- Animal Control
- By-Law Enforcement
- Environmental Health
- Alcohol Licensing
- Waterways Facilities
- Waterways Control
- Building Control
- Resource Consents
- Aquatics

### **Animal Control**

This activity deals primarily with the control of dogs in the district. The numbers of dogs and dog related complaints and incidents have increased over recent years. The annual cost associated with the activity is around \$423k per annum. The current private funding target is 55% with a forecast recovery of 57% from user fees for 2015/16.

The recommendation is to adjust the funding target to reflect an increased recovery from dog owners. The proposed private funding target has increased to 70% (up from 55%). The expected impact of the change is an increase in user charge revenue of around 30% (\$72k). If adopted, this will result in an increase to most current dog registration and impounding fees.

The proposed fees for 2016/17 are included in appendix A (attached). For example, the registration fee for a de-sexed pet dog (inclusive of available discounts) will rise from \$50 to \$55 (increase of 10%).

The level of increase in the proposed fees varies to reflect the service demands regarding dog control. For example, there are very few issues relating to working dogs, however, there are considerable demands from roaming whole dogs (not de-sexed), which are causing problems in our community such as attacks and getting into rubbish. The draft Annual Plan budget for 2016/17 includes a proposed increase in resourcing for this activity (up 0.5 FTE) due to the increase in activity (roaming dogs & dog attacks).

### **By-law and General Enforcement**

This activity deals primarily with the enforcement of consent conditions and by-laws in the district. The largest impact on this activity in recent years has been the introduction and enforcement of freedom camping rules. The annual cost associated with the activity is around \$718k per annum. The current private funding target is 30% with a forecast recovery of 39% from infringements and user fees for 2015/16.

The recommendation is to adjust the funding target to reflect the current recovery from freedom camping infringements. The proposed private funding target has increased to 40% (up from 30%). The expected impact of the change is that the revised target will be met if the collectability of freedom camping infringements is improved by 30%. This will result in a continuation of the initiatives to ensure that freedom camping fines are paid before overseas

offenders leave the country. It is recognised that if enforcement activities result in increased compliance, then revenue (from infringements) will decrease and the increased funding target will not be met.

### Environmental Health

This activity deals primarily with the inspection and licensing of registered premises in the district. The introduction of new Food Act 2014 (from 1<sup>st</sup> March 2016) will have a significant impact on this activity as business owners are required to comply with the new rules. The annual cost associated with the activity is around \$501k per annum.

The current economic benefit assessment is as follows: Private 45%; Public 50% and Exacerbator 5%. The proposed change reflects a higher private benefit to the business operator and a higher exacerbator factor which reflects the time and cost incurred in following up on non-compliance. The proposed economic benefit assessment is as follows: Private 60%; Public 30% and Exacerbator 10%.

The current private funding target is 50% with a forecast recovery of 38% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect an increased recovery from the owners of registered premises. The proposed private funding target has increased to 70% (up from 50%).

The expected impact of the change is an increase in user charge revenue of 75% (\$147k). If adopted, this will result in an increase to most current premises registration, inspection and auditing fees. The proposed fees for 2016/17 are included in appendix A (attached). For example, the verification fee for a food premise will rise from 26% to 155% depending on the size and category of the business.

The new fees reflect the estimated time spent by officers to administer the new legislation and take into account the additional time required to be spent in larger premises or with those not complying with the rules.

The draft Annual Plan budget for 2016/17 includes a proposed change to FTE allocation for this activity; up to 2.4 (up from 1.75 in the LTP) to reflect the actual time utilisation of the 3 existing Environmental Health Officers.

### Alcohol Licensing

This activity deals primarily with the inspection, monitoring and licensing of premises selling alcohol in the district. The introduction of new legislation has had a significant impact on this activity as business owners are required to comply with the new rules. The annual cost associated with the activity is around \$670k per annum. The current economic benefit assessment is as follows: Private 50%; Public 25% and Exacerbator 25%. The proposed change reflects a higher private benefit to the business operator and a slightly lower exacerbator factor which reflects the time and cost incurred in assisting licensees with their legal obligations; the application process; information to be provided and following up on non-compliance. The proposed economic benefit assessment is as follows: Private 60%; Public 30% and Exacerbator 10%.

The current private funding target is 60% with a forecast recovery of 85% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect the existing levels of recovery from the applicants. The proposed private funding target has increased to 70% (up from 60%). There is no expected impact on current user charge revenue as a result of the change.

The draft Annual Plan budget for 2016/17 includes a proposed increase in resourcing for this activity (up 2.0 FTE) due to the increasing workload. This will ensure that service levels are

improved and that QLDC meets all of its statutory obligations in this area. There is no impact on user charges as these changes can be funded from existing revenue.

The draft Annual Plan budget for 2016/17 also includes a proposed change to FTE allocation for this activity; to 0.6 (down from 1.25 in the LTP) to reflect the actual time utilisation of the 3 existing Environmental Health Officers.

### Waterways Facilities

This activity deals primarily with the provision, and maintenance of Council owned waterways assets (ramps, jetties, marinas) in the district. The current private funding target is 40% with a forecast recovery of 17% from user fees for 2015/16.

The recommendation is to investigate the introduction of a broader based "waterways fee" for all users of waterways assets (ramps, jetties, navigation aids etc.). This will require a change to regulations to allow infringements to be issued for non-compliance. The expected impact of such a change is to increase revenue by 235% (\$56k).

### Waterways Control

This activity deals primarily with the promotion and enforcement of safe use of the waterways in the district. The annual cost associated with the activity is around \$410k per annum. The current private funding target is 35% with a forecast recovery of 29% from user fees for 2015/16.

The recommendation is to review the fees set under the by-law to provide greater simplicity and to return to an annual fee regime. The expected impact of such a change is to increase revenue by 20% (\$24k).

### Building Control

This activity deals with all aspects of the building consent process, including the processing of applications; public enquiries; issuing consents and the inspection of building works in the district. The annual cost associated with the activity is around \$3.06m per annum.

The current economic benefit assessment is as follows: Private 90%; Public 5% and Exacerbator 5%. The proposed change reflects a lower private benefit to the applicant and a higher exacerbator factor which reflects the time and cost incurred in managing weather-tightness claims. The proposed economic benefit assessment is as follows: Private 80%; Public 5% and Exacerbator 15%.

The current private funding target is 95% with a forecast recovery of 81% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect the existing levels of recovery from the applicants. The proposed private funding target has decreased to 80% (down from 90%). There is no expected impact on current user charge revenue as a result of the change.

### Resource Consent Administration

This activity deals with all aspects of the resource consent process, including the processing of applications; public enquiries; issuing and monitoring of consents. The annual cost associated with the activity is around \$4.26m per annum. The current economic benefit assessment is as follows: Private 90%; Public 10% and Exacerbator 0%. The proposed change reflects a lower private benefit to the applicant and a higher public factor which reflects

the time and cost incurred in managing appeals and objections. The proposed economic benefit assessment is as follows: Private 80%; Public 20% and Exacerbator 0%.

The current private funding target is 90% with a forecast recovery of 64% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect a lower percentage recovery from user fees. The proposed private funding target has decreased to 80% (down from 90%). However, the current actual recovery percentage is only 64%. In order to achieve 80% recovery, a review of internal processes for recovering costs will be necessary. This will include a review of current fees and charges (including charge-out rates) and a review of the system for managing the cost of public enquiries.

The expected impact of the change is an increase in user charge revenue of 24% (\$660k). If adopted, this will result in an increase in the cost of most resource consent applications. The proposed charge-out rates and other charges made under the Resource Management Act will be considered by Council at the 28 April meeting. Any proposal to change these fees will require the special consultative procedure.

### Aquatics

This activity deals with the provision of indoor aquatic centres in the district. The annual cost associated with Alpine Aqualand is around \$2.69m per annum. The current private funding target is 60% with a forecast recovery of 53% from user fees for 2015/16.

The recommendation is to retain the funding target and to review admission charges in order to meet the 60% cost recovery. The expected impact of the change is an increase in user charge revenue of 13% (\$136k).

If adopted, this will result in an increase to some aquatic user fees. The proposed fees for 2016/17 are included in appendix A (attached). The proposed changes to some aquatic user fees have been recommended as a result of benchmarking our current fees to those in other districts. The existing \$2.00 fee for use of the hydro-slide for example is well below most other centres.

## **FIXED CHARGE RATES FOR RESIDENTIAL FLATS**

### Background

As part of the review process the working party considered rating issues raised through the submission process for the LTP and Annual Plans since 2012. There were a number of submissions relating to the current policy as regards the application of fixed charge rates to residential flats.

The common theme of these submissions is that it is not equitable to apply fixed charge rates at the full rate to residential flats. It is suggested that the policy should provide recognition of the following:

- Residential flats are smaller than dwellings (less demand on services)
- There is a shortage of rental accommodation and residential flats could ease the problem
- The current rating policy is a disincentive to residential flats because its application means that a residential flat will pay more than the same space used for visitor accommodation (through Mixed Use rates).



Fixed Charge Rates are applied on the basis of each “separately used or inhabited part” (SUIP) of a rating unit and each Council is required to have its own policy position as to how this applies. The current QLDC position is as follows:

### **Definition of “Separately Used or Inhabited Parts of a Rating Unit”**

Where rates are calculated on each separately used or inhabited part of a rating unit, the following definitions will apply:

- Any part of a rating unit that is used or occupied by any person, other than the ratepayer, having a right to use or inhabit that part by virtue of a tenancy, lease, licence, or other agreement.
- Any part or parts of a rating unit that is used or occupied by the ratepayer for more than one single use.

The following are considered to be separately used parts of a rating unit:

- Individual flats or apartments
- Separately leased commercial areas which are leased on a rating unit basis
- Vacant rating units
- Single rating units which contain multiple uses such as a shop with a dwelling or commercial activity with a dwelling
- A residential building or part of a residential building that is used, or can be used as an independent residence.

An independent residence is defined as a liveable space with its own kitchen, living and toilet/bathroom/laundry facilities that can be deemed to be a secondary unit to the main residence. Note: the definition of a kitchen comes from the District Plan.

The following are not considered to be separately used parts of a rating unit:

- A residential sleep-out or granny flat that does not meet the definition of an independent residence
- A hotel room with or without kitchen facilities
- A motel room with or without kitchen facilities
- Individual storage garages/sheds/portioned areas of a warehouse
- Individual offices or premises of business partners.

#### **District Plan definition of a Kitchen:**

Means any space, facilities and surfaces for the storage, rinsing preparation and/or cooking food, the washing of utensils and the disposal of waste water, including a food preparation bench, sink, oven, stove, hot-plate or separate hob, refrigerator, dish-washer and other kitchen appliances.

Clearly, residential flats are a SUIP under the policy and as such receive a full set of fixed charge rates at the full residential rate. The following rates are charged on a fixed amount basis:

Uniform Annual General Charge	\$86.00
Sports, Halls & Libraries Annual Charge	\$324.00
Governance & Regulatory Charge	\$71.00
Recreation & Events Charge	\$157.00
Waste Management Charge	\$136.00
Aquatic Centre Charge	\$95.00 (Wakatipu/Arrowtown only)
Water Supply Charge	\$180.00 to \$750.00 (depending on location)
Sewerage Charge	\$370.00 to \$650.00 (depending on location)

This means that for any dwelling in Queenstown, the total fixed charge rates amount to \$1,509 per annum. For a property with a median value of around \$670,000, fixed charge rates make up 60% of the total rates paid for the property (\$2,497).

If this same property included a residential flat, the total rates payable would increase by \$1,509 per annum to \$4,006; an increase of over 60%. If this same property with a flat, was registered as homestay, the total rates payable (as mixed use) would increase by \$700 per annum to \$3,197; an increase of 28%.

There is a clear inequity with regard to the relative rates payable between the two uses. In order to eliminate the discrepancy, it is proposed that a differential be introduced for a new rating category: Dwelling plus Residential Flat. The differential will apply to the following rate types:

Sports, Halls & Libraries Annual Charge	x1.4
Governance & Regulatory Charge	x1.4
Recreation & Events Charge	x1.4
Waste Management Charge	x1.4
Aquatic Centre Charge	x1.4

This effectively means that the Residential flat is charged at the rate of 40% of a dwelling for these differentially set targeted rates. The justification for this lies in the proportional use of services applicable to an average flat. The relative size of a residential flat to an average dwelling suggests a factor of 0.3 to 0.6 is appropriate.

The UAGC must be charged in full to each SUIP and it is recommended to use the existing 50% charges available for Water and Sewerage.

The impact of this proposal will be to reduce rates for dwellings with residential flats by around 20%. Using the example above, the revised rates will be \$3,178 (down from \$4,006) which is a decrease of 20.6%. This revised amount is also slightly less than the amount paid under mixed use (Homestay – short term).

The impact of the proposal will result in a transfer of rates incidence away from Residential Flats and to all other rating categories. It is expected that approximately \$140,000 of rates will need to be re-allocated. This will have a minor impact with Residential ratepayers picking up an additional \$15-20 per year per property, for example.

### **VOLUNTARY TARGETED RATE (EECA)**

QLDC received a submission from the Energy Efficiency and Conservation Authority (EECA) requesting that QLDC consider the introduction of a Voluntary Targeted Rate (VTR) to support the greater uptake of energy efficiency measures such as insulation or heating.

The matter was deferred to the Funding Review process for consideration. There are 11 other councils who have adopted VTR schemes. Most of these did so in conjunction with the central government scheme “Warm up New Zealand” which targeted assistance to low income homes from 2009 to 2013.

The VTR scheme is designed to be cost neutral to councils. Insulation is only provided to individual ratepayers who request it and who are willing to pay back the cost over a 9 to 10 year period. Typically, councils will set a cap on the amount of funding available each year and also on the amount each household can obtain as a VTR.

The panel supported the concept of the VTR but were concerned that there may not be the demand for such a scheme within the district. This is due to the cessation of the central government grant programme in 2013 and also due to the recent introduction of the joint initiative between the Central Lakes Trust and EECA to improve insulation in homes built before 2000 worth \$300,000.

The introduction of a Voluntary Targeted Rate for Residential insulation is not recommended at this stage until the demand for this type of tool is better understood.

### **RATING OF UNDEVELOPED LAND WITH ZONING**

The working party has also considered the rating of undeveloped land which is zoned for development. There are numerous examples around the district where rates are applied to the property on the basis of current use (i.e. Primary Industry) but the property has an underlying zoning which supports development.

The rating legislation certainly allows QLDC to differentiate on the basis of existing or proposed zoning (Schedule 2 Local Government (Rating) Act 2002). The objective of any proposal to rate on the basis of zoning rather than current usage will need to be explicit. The following issues were discussed:

- a) Encouraging release of zoned land
- b) Promoting affordability
- c) Recovering “holding costs” incurred by QLDC in relation to infrastructure planning and provision.
- d) Deterring “land banking” by land owners
- e) Avoiding expensive plan changes to enable development elsewhere

The simplest way of introducing this proposed change is to amend the current rating category known as Vacant Sections. The differential description as it appears in QLDC’s Funding Impact Statement is as follows:

#### **3. Vacant Sections (Existing)**

*All rating units which are vacant properties and suitable for development.*

The key phrases to this definition are “vacant properties” and “suitable for development”. This has meant that this definition applies quite narrowly to land that has been subdivided but sits passively awaiting development or sale by the owner. In order to include all undeveloped land which has zoning allowing development, the following definition would apply:

#### **3. Vacant Sections/Zoned Land (Proposed)**

*All rating units which are vacant properties and suitable for development or land zoned for development but used as Primary Industry.*

This approach would rate the land with zoning on the same basis as Vacant Sections. This includes higher differentials for most targeted rates. The impact on properties currently rated as Primary Industry would see the rates increase by 43 to 154% depending on location and connection of services. The average increase for the 11 properties modelled was 86% (total increase of 132k).

If this proposal were to be introduced, the definition of Primary Industry would need to be amended to exclude land with zoning for development.

#### **8. Primary Industry (Proposed)**

*All rating units:*

- *Used exclusively or principally for agricultural or horticultural purposes including dairying, stock fattening, arable farming, share sheep, market gardens, vineyards, orchards, specialist livestock, forestry or other similar uses, or*
- *Which are ten hectares or more in area and located in any of the Rural or Special Zones contained in the Queenstown Lakes District Council's District Plan as at 1 July of the current rating year.*
- *But excluding all properties used as Primary Industry but rated under Category 3 Vacant Sections/Zoned Land.*

However, there are some administration issues with this proposal. The main one relates to the mismatch that often exists between cadastral boundaries and zoning areas. This means that the existing rating unit will often comprise more than one zone. In order to set rates on the zoning, a series of rating divisions or apportionments will be necessary.

## **EFFECTS OF PROPOSED CHANGES TO THE QLDC RATING SYSTEM**

The proposed changes to the Revenue and Financing Policy will result in some changes to fees and charges for 2016/17.

There are revenue increases proposed in the draft budget for the Annual Plan 2016/17 for the following activities: Animal Control (including dog registration) of \$72k (30%); Environmental Health (including charges for food premises) of \$147k (75%); Waterways \$24k (20%); Resource Consents (including a review of staff charge out rates) \$660k (24%) and Aquatics (including pool charges) \$136k (13%).

The following rates issues were considered:

- Rating of Residential Flats
- EECA proposal for Voluntary Targeted Rate for Residential insulation
- Rating of Land Zoned for development but used as Primary Industry

The impact of the proposed changes to rating policy will have a minor impact on rating incidence overall because there are relatively few properties affected. There are just over 200 properties which potentially include a residential flat and which could benefit from the proposal to reduce the incidence of fixed charge rates. If implemented, the negative rate impact on other properties will be minor (i.e. an additional \$15 to \$20 per annum for residential properties).

There are estimated to be fewer than 20 properties which are currently rated as Primary Industry but are zoned for development and which will be impacted by the proposal to rate by zoning instead of usage. If implemented, the positive rate impact on other properties will be minor (i.e. a reduction of \$1 to \$2 per annum for residential properties).

## Appendix A – Proposed Fees for 2016/17

### Animal Control

#### *Annual Dog Registration Fees \*CURRENT\**

Category	Standard Fee (incl GST)	Effective Fencing Reduction	Positive History Reduction	Potential Discounted Fee
Guide/ Companion Dog	Nil	-	-	-
Working Dog	\$35	\$3	\$2	\$30
De-sexed Dog	\$60	\$6	\$4	\$50
Dangerous/ Menacing Dog	\$165	\$10	\$10	\$145
All Other Dogs	\$68	\$4	\$4	\$60

#### *Annual Dog Registration Fees \*PROPOSED\**

Category	Standard Fee (incl GST)	Effective Fencing Reduction	Positive History Reduction	Potential Discounted Fee
Guide/ Companion Dog	Nil	-	-	-
Working Dog	\$70	\$20	\$20	\$30
De-sexed Dog	\$115	\$30	\$30	\$55
Dangerous/ Menacing Dog	\$245	\$40	\$40	\$165
All Other Dogs	\$155	\$40	\$40	\$75

#### *Overall Annual Dog Registration Fee Increase (using Discounted Fee)*

Category	Proposed Increase
Guide/Companion Dog	0%
Working Dog	0%
De-sexed Dog	10%
Dangerous/Menacing Dog	14%
All other Dogs	25%

The proposed fees reflect the changes as per the Revenue and Financing Policy which indicates an increase in user charge revenue to compensate for the increase in dog related complaints and incidents in recent years.

### *Impounding Fees (incl GST)*

	1 <sup>st</sup> Occurrence	2 <sup>nd</sup> Occurrence	3 <sup>rd</sup> Occurrence
<b>Current Fee</b>	\$100	\$160	\$240
<b>Proposed Fee</b>	\$125	\$200	\$300
<b>Proposed Increase</b>	25%	25%	25%

Impounding fees are direct costs to the user on a graduated increase for roaming dogs that are collected. The issue of roaming dogs remains the largest animal related issue in our community, therefore this increase is intended to promote self-compliance by dog owners.

### **Environmental Health**

#### *Registration Fees \*CURRENT\* (incl GST)*

Business Size / Risk Category	Category A	Category B	Category C	Category D
<b>Level 1</b>	\$285	\$315	\$355	\$405
<b>Level 2</b>	\$320	\$350	\$390	\$440
<b>Level 3</b>	\$375	\$405	\$445	\$495
<b>Level 4</b>	\$485	\$515	\$555	\$605

Food Control Plans      \$350 flat rate (incl GST)

#### *Verification Fees \*PROPOSED\* (incl GST)*

Business Size / Risk Category	Category A	Category B	Category C	Category D
<b>Level 1</b>	\$360	\$540	\$720	\$900
<b>Level 2</b>	\$540	\$720	\$900	\$1080
<b>Level 3</b>	\$720	\$900	\$1080	\$1260
<b>Level 4</b>	\$900	\$1080	\$1260	\$1440

### *Food Control Plans and National Programmes*

Registration is a straightforward administrative task therefore it is proposed that registration is free to encourage self-compliance. A new \$450 infringement for not registering will apply as set by statute.

### *Proposed Increase*

<b>Business Size / Risk Category</b>	<b>Category A</b>	<b>Category B</b>	<b>Category C</b>	<b>Category D</b>
<b>Level 1</b>	26%	71%	103%	122%
<b>Level 2</b>	69%	105%	131%	145%
<b>Level 3</b>	92%	122%	143%	155%
<b>Level 4</b>	86%	110%	127%	138%

The proposed fees incorporate the changes required by the Revenue and Financing Policy and reflect the time to undertake an audit of a food business, which is dependent on the size of the operation and the level of risk associated with the food being prepared.

The business size classifications are outlined below:

- Level 1 – Small business (National Programme 1)
- Level 2 – Medium size business (National Programme 2 or 3)
- Level 3 – Large size business (Food Control Plan)
- Level 4 – Very large business (Food Control Plan)

### *New Premises Fees (incl GST)*

<b>Level</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Level 1</b>	\$615	\$720	17%
<b>Level 2</b>	\$650	\$900	38%
<b>Level 3</b>	\$705	\$1080	53%
<b>Level 4</b>	\$815	\$1260	55%

The proposed fees reflect the time to assist and process new operators pursuant to the Food Act 2014 which came into effect on 1 March 2016.

### **Aquatics**

#### *Casual Fees (incl GST)*

<b>Category</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Adult</b>	\$8.00	\$8.00	0%
<b>Child</b>	\$3.00	\$4.00	33%
<b>Beneficiary/Senior</b>	\$4.50	\$4.50	0%
<b>Hydroslide</b>	\$2.00	\$5.00	150%

#### *3 Months Pre-Paid (incl GST)*

<b>Category</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Adult</b>	\$129	\$169	31%
<b>Child</b>	\$49	\$59	20%
<b>Beneficiary/Senior</b>	\$59	\$79	34%

*6 Months Pre-Paid (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$219	\$270	23%
Child	\$89	\$109	22%
Beneficiary/Senior	\$109	\$129	18%
Family	\$399	\$429	8%

*12 Months Pre-Paid (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$329	\$399	21%
Child	\$139	\$179	29%
Beneficiary/Senior	\$169	\$209	24%
Family	\$659	\$709	7%

*6 Month Direct Debit (monthly fee) (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$9.00	\$11.00	22%
Child	\$4.00	\$5.00	25%
Beneficiary/Senior	\$5.00	\$6.00	20%
Family	\$16.50	\$19.00	15%

*12 Month Direct Debit (monthly fee) (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$7.00	\$9.00	29%
Child	\$3.00	\$4.00	33%
Beneficiary/Senior	\$3.50	\$4.50	29%
Family	\$13.50	\$16.00	19%

The proposed fees reflect the changes as per the Revenue and Financing Policy which indicates an increase in user charge revenue via admission charges in order to meet the existing funding target.





"B"

New Zealand Legislation

# Local Government (Rating) Act 2002

• with search matches highlighted

## Schedule 2

ss 14, 17

### Matters that may be used to define categories of rateable land

- 1 The use to which the land is put.
- 2 The activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative district plan or regional plan under the Resource Management Act 1991.
- 3 The activities that are proposed to be permitted, controlled, or discretionary activities, and the proposed rules for the area in which the land is situated under a proposed district plan or proposed regional plan under the Resource Management Act 1991, but only if—
  - (a) no submissions in opposition have been made under clause 6 of Schedule 1 of that Act on those proposed activities or rules, and the time for making submissions has expired; or
  - (b) all submissions in opposition, and any appeals, have been determined, withdrawn, or dismissed.
- 4 The area of land within each rating unit.
- 5 The provision or availability to the land of a service provided by, or on behalf of, the local authority.
- 6 Where the land is situated.
- 7 The annual value of the land.
- 8 The capital value of the land.
- 9 The land value of the land.

# ALLENBY FARMS LIMITED HILL, ROSIE

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## REVENUE AND FINANCING POLICY

Please see attached document

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## RATING POLICY

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## DEVELOPMENT CONTRIBUTION POLICY

## Submission on Queenstown Lakes District Council Annual Plan 2016-17

**To:** **Queenstown Lakes District Council**  
PO Box 50072  
Queenstown 9348

**Name of Submitter:** **Allenby Farms Limited**  
(c/- Warwick Goldsmith/ Rosie Hill)  
Mobile: 021 220 8824  
E: warwick.goldsmith@andersonlloyd.co.nz/ rosie.hill@andersonlloyd.co.nz  
Postal address: PO Box 201, Queenstown 9348

### 1. **Introduction**

- 1.1 This is a submission on behalf of Allenby Farms Limited ("**Allenby**" or "**Submitter**") on the Queenstown Lakes District Council ("**Council**") Draft Annual Plan 2016-17 supporting document ("**Annual Plan**").
- 1.2 The Allenby land which is the subject of this Submission is approximately 38 hectares of land adjacent to Outlet Road in Wanaka. The land is legally described as Lot 3 DP 300408 and Lot 2 DP 469578 described in CFR 632425.
- 1.3 The specific issues of the Draft Annual Plan which this Submission relates to are the proposed changes to the differential rating system used by the Council and as identified in its Funding Impact Statement.
- 1.4 This submission has been structured in two sections;
  - Specific submission in relation to the land owned by Allenby; and
  - General submission on behalf of Allenby.

### 2. **Specific Submission: Issues relating to the Submitter's Property**

- 2.1 Allenby's Submission is as follows;
  - (a) Allenby made a private plan change request in association with Northlake Investments Limited and the Stokes–Gilbertson family to re-zone approximately 220 hectares of Rural General zoned land to a new Special Zoning, referred to as the Northlake Special Zone.
  - (b) The Environment Court approved the zoning in an Interim Decision [2015] NZEnvC139 dated 21 August 2015, and subsequently confirmed the zoning by Final Decision [2015] NZEnvC 196 dated 17 November 2015.
  - (c) The Northlake Special Zone is therefore now operative. The land owned by Allenby is currently rated as Primary Industry. The master plan for the Zone enables long term staged development to meet market and community needs as they arise.
  - (d) The land is maintained in a pastoral state to retain the amenity values of the land and keep it in a good condition until it is ready for development.
  - (e) As stated above, the Allenby land has only been zoned for development since 17 November 2015. The Northlake zone provides for approximately 1,500 dwellings.

For practical development reasons it would not be possible to bring all that development onto the market at the same time (ignoring the fact that there are three landowners involved) and it would not be commercially appropriate to even attempt to do that.

- (f) Allenby has a development history of regularly supplying residential lots to the market. Allenby considers that it is entirely inappropriate for the Council to seek to penalise Allenby, through an increase in rates, under these circumstances. Allenby should be allowed an appropriate period of time within which to develop and sell its land before Council should give any consideration to levying what appears to be a financial penalty to deter 'landbanking'.

2.2 Allenby comments on the Council's five intended objectives, as they relate to Allenby's land.

*Encouraging release of zoned land*

2.3 The proposed increase in rates will not provide any encouragement to Allenby to release this zoned land onto the market. Allenby will release the land when the market is able to accept it and in accordance with the whole zone-wide master planned approach.

*Promoting affordability*

2.4 The proposed rating increase will not do anything to promote affordability of housing in the Northlake Zone. The housing and section prices within the Zone have been, and will be, carefully planned to provide a range of housing opportunities which is unlikely to fluctuate substantially over the near future and which will not be affected by rates.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

2.5 QLDC has not incurred and will not incur any holding costs in relation to infrastructure for the Northlake Special Zone land. There is a carefully developed structure plan in place and contained in the District Plan, and liaison with the infrastructure engineers at QLDC has been comprehensive and ongoing over a number of years. These were all issues traversed at the plan change stage and Council supported the position taken by the landowners through the Environment Court proceedings. In particular:

- (a) Evidence presented at the Environment Court hearing established that the approval of the Northlake Special Zone would not result in any increased infrastructure costs being incurred by the Council or other ratepayers;
- (b) The Northlake landowners will be responsible for upgrading the Council water supply system as necessary to supply the Northlake Zone, and that upgrade (primarily increased storage) will have benefits for the Council's wider reticulated potable water supply system;
- (c) The only upgrade required to sewerage infrastructure to service Northlake is the upgrade of one pipeline which was already scheduled to be upgraded regardless of whether or not the Northlake Special Zone was approved. Development within Northlake will contribute to that previously required upgrade, thereby reducing the Council's holding costs;

*Deterring "landbanking" by landowners*

2.6 The proposed rating increase will not have any effect on Allenby's intentions or decisions to develop its land. Allenby does not consider it reasonable that such an approach be considered by the Council as landbanking where it is being held for a reasonable time and for a legitimate purpose.

*Avoiding expensive plan changes to enable development elsewhere*

- 2.7 Allenby cannot see how the proposed rating increase will assist Council to avoid expensive plan changes. The Northlake land has already been confirmed as a special zone. The approval of the Northlake Special Zone will provide an increased supply of residential land to the Wanaka market for some years into the future. There is no basis for any suggestion that the Council will have to undertake any expensive plan changes to enable residential development elsewhere within the Wanaka area.
- 2.8 **Relief Requested** – Allenby requests the following relief arising from matters detailed in this Submission:
- (a) That the proposed differential rating amendments be abandoned; **OR**
  - (b) That the proposed rating amendments not apply to the existing Northlake Special Zone; **OR**
  - (c) The new rating differential only apply to land zoned for residential development, within an area serviced by Council infrastructure, when the landowner has been able to develop, and has not carried out any development, for a minimum period of, say, 10 years.

3. **Summary of General Submission**

- 3.1 The changes proposed by Council detailed in the Funding Impact Statement through its Annual Plan 2016-17 are **opposed** by DPL because the intended changes are fundamentally flawed. The premise of rates is to generate income for local authorities to provide services which are then delivered to those rating units. The changes proposed to the definitions of Vacant Sections and Primary Industries to increase income from rates levied against those units is not based upon the provision of additional or extra services to those units. The changes therefore do not serve a legitimate purpose.
- 3.2 The mechanism of instigating this change through the proposed definitions is problematic as it is so broad it potentially captures a huge range of properties within the District, from rural general land which is capable of obtaining discretionary consent to subdivide, to visitor accommodation subzones with controlled activity status for buildings, to residential zoned land which is yet to be built on. The Submitter assumes the latter is the only category intended to be caught by the changes, but that is not the effect of the changes.
- 3.3 In addition to and without derogating from the general reasons above, the Submitter opposes the changes for the following reasons:
- (a) The amendments proposed to the definitions of differential rating categories are ambiguous and do not provide certainty for ratepayers as to the rating status of land;
  - (b) The amendments do not achieve the desired objectives of Council which are relied on to support the amendments;
  - (c) The amendments are not in accordance with Council's Guiding Principles as cited in the Annual Plan;
  - (d) This proposed differential rate is not consistent with the scheme and purpose of the Local Government Act 2002 (Schedule 10) and the Local Government (Rating) Act 2002 (Schedule 2); and
  - (e) The decision to make the proposed definition changes to differential rating categories is not a fair and reasonable decision for the Council to make, and has not been made in

accordance with the decision-making requirements of section 77 of the Local Government Act 2002.

#### 4. Definition/Interpretation Problems

- 4.1 The proposed amendments referred to throughout this submission are the proposed definition changes to the differential rating categories known as '*Vacant Sections*' and '*Primary Industries*' contained within the QLDC Funding Impact Statement. The definition changes are proposed as follows (track changes have been included by the submitter as no track changes have been included in the consultation documents).

##### *Vacant Sections/Zoned Land (Proposed)*

*"All rating units which are vacant properties and suitable for development or land zoned for development but used as Primary Industry".*

...

##### *Primary Industry (Proposed)*

*"All rating units:*

- Used exclusively or principally for agricultural or horticultural purposes including dairying, stock fattening, arable farming, share sheep, market gardens, vineyards, orchards, specialist livestock, forestry or other similar uses, or*
- Which are ten hectares or more in area and located in any of the Rural or Special Zones contained in the Queenstown Lakes District Council's District Plan as at 1 July of the current rating year.*
- But excluding all properties used as Primary Industry but rated under Category 3 Vacant Sections/Zoned Land".*

- 4.2 The amendments identified above give rise to the following definition and interpretation problems:

- (d) All land in the district is zoned for development to a greater or lesser degree, ranging from (easy) permitted activity residential development in residential zones through to (difficult) discretionary residential activities in outstanding natural landscapes. Therefore the definition potentially catches all land.
- (e) It is unclear whether the phrase "... used as Primary Industry ..." in both amended sections quoted above is intended to capture just the first bullet point in the definition of Primary Industry or the first and second bullet points. Therefore it is unclear whether the amended provisions are just intended to apply to properties in excess of 10ha which are zoned for development, or whether they are intended to apply to all properties zoned for development regardless of size.

- 4.3 Given the definition and interpretation problems identified above, it is difficult to see how the Council can make the statement on page 127 of the Annual Plan that "*There are estimated to be fewer than 20 properties which are currently rated as Primary Industry but are zoned for development and which will be impacted by the proposal to rate by zoning instead of usage*". If that statement is in fact true, then it is submitted that the amendments quoted above do not achieve that intention.

- 4.4 It is submitted that, at the very least:

- (1) The generic phrase "*zoned for development*" should be replaced with reference to specific zonings intended to be captured;

(2) The amendments should be clarified as to whether the 10ha trigger applies.

**5. The amendments do not achieve the desired objectives of Council**

- 5.1 The Funding and Rates Review Report 2016, which appears to be the main justification for the proposed amendments to the differential rating category definitions is a high-level policy document which fails to assess actual costs and benefits of the proposed changes and lacks real quantitative and qualitative analysis. The Report is not divided into sections and does not include page numbers, but the relevant pages of the Report are attached as "**Appendix A**". The Report does not explain how the amendments will achieve the Council's identified objectives.

*Encouraging release of zoned land*

- 5.2 There is no explanation or analysis explaining how the proposed rating increase will encourage the release of zoned land. That would only apply if the economic incentive arising from the rate increase resulted in a development decision that it is preferable to develop and sell the land rather than to continue to incur the rating costs. However the holding cost of rates is a minor factor in any overall decision as to whether to hold or develop land which is able to be developed. There is no evidence or analysis supporting a contention that the proposed rate increase has any reasonable chance of causing a change in decisions about development.

*Promoting affordability*

- 5.3 There is no evidence or analysis explaining how the proposed increase in rates will promote the affordability of housing.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

- 5.4 Land rated under the Primary Industry category is already paying rates in respect of services which that land either does not use or only uses to a minimal extent (such as roading). There is no explanation or justification as to why the existing Primary Industry rating differential does not already provide adequate reimbursement to Council for any relevant holding costs.
- 5.5 There is no analysis of the "holding costs" which are being referred to. Such "holding costs" relate primarily to infrastructure services such as sewerage and potable water supply. If those are the "holding costs" being referred to, and without taking away from the previous point, the proposed rating differential increase should be limited to land zoned for development located within rating areas where QLDC provides specific infrastructural services such as sewerage and water supply.
- 5.6 This rating change will result in undeveloped land, currently being used for Primary Industry, being levied with a stormwater rate which was not previously levied against such land. No explanation or justification for that change has been provided.

*Deterring "landbanking" by landowners*

- 5.7 The points made above under the heading "*Encouraging release of zoned land*" also apply here. There is no explanation or justification as to how the proposed rating increase will provide economic incentives sufficient to change decisions made about whether or not land should be developed.

*Avoiding expensive plan changes to enable development elsewhere*

- 5.8 No examples have been given of where the Council has incurred any cost in relation to "*expensive plan changes*" as a result of lack of availability of land for development. All recent

plan changes providing for housing in particular have been private plan changes and/or public plan changes where private developers have carried the cost. The District Plan Review is an expense Council must incur regardless because of statutory requirements. No justification at all under this heading has been provided.

**6. The amendments are ambiguous and unnecessarily broad**

- 6.1 Schedule 2 of the Local Government (Rating) Act 2002 attached as ("**Appendix B**") sets out the matters that must be used to define categories of rateable land. It is not explicit in the Consultation Documents which category of Schedule 2 is being relied upon, but it is assumed to be subclause 2, given the early stages at which the Proposed District Plan is at. Sub-clause 2 is as follows:

"...

*(2) The activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative district plan or regional plan under the Resource Management Act 1991".*

- 6.2 Without further explanation of the definition change to '*Vacant Sections*', it is assumed that '*zoned for development...*' will include any land within the Operative District Plan which can be 'developed' in accordance with the permitted, controlled, and discretionary activity rules of the rating unit's underlying zone. That covers all land in the District.
- 6.3 The interpretation to be given to that definition, or its intent is not discussed within the Consultation Documents, and the submitter is concerned it will have very wide-ranging consequences. A definition of 'development' in the Local Government Act 2002 may be of assistance (as it applies to development contributions):

*"development means—*

*(a) any subdivision, building (as defined in section 8 of the Building Act 2004), land use, or work that generates a demand for reserves, network infrastructure, or community infrastructure; but*

*(b) does not include the pipes or lines of a network utility operator"*

- 6.4 The definition of '*development*' above is inherently broad and captures land use which essentially means to alter the land in a way that adds monetary value to it. Most development within the Lakes District, regardless of what underlying zoning it has, will be captured by the above definition of '*development*'.
- 6.5 The definition of '*Vacant Section*' does not appear to discern between types of development or different types of zones, therefore the definition could potentially capture everything from land with underlying commercial zoning with permitted activity status for intensive development, through to land in the Rural General Zone which has discretionary activity status for subdivision and the identification of building platforms.
- 6.6 A Rural General zoned area of land which is over 10 hectares or is currently being farmed, but which could in theory be developed through discretionary applications under the Operative Plan, would potentially be caught within the definition change but would not assist in resolving Council's identified issues such as land banking and increasing housing affordability.
- 6.7 It is assumed the Council's rating policy is not intended to catch the latter scenario and therefore the definition of Vacant Section is unnecessarily broad and ambiguous.
- 6.8 Other examples of this definition change capturing unintended rating units could include:



- (a) Land with underlying rural living development potential such as in the Rural Lifestyle and Rural Residential zones;
- (b) Special Zones which include Ski Area Subzones/Visitor Accommodation Subzones; and
- (c) Recently zoned greenfield developments which might have a staged long-term master-planned approach to development in order to meet community and planning needs.

6.9 All of the above examples provide significant positive benefits to the community but are not necessarily capable of mitigating a shortage of affordable housing supply or increasing the availability of residential land for residential purposes. Any such definition change to the differential rating categories should therefore exclude the above examples so as to only capture land with appropriate zoning, such as residential zoned land with controlled or permitted activity status for residential development which is serviced by Council infrastructure.

## 7. **The amendments are not in accordance with the Guiding Principles**

7.1 The Draft Annual Plan Consultation Document, at page 121 States the following Guiding Principles are relevant in proposing changes to the funding/rating system:

### *"Guiding Principles*

*The guiding principles that were adopted during previous reviews were endorsed:*

- *equity, i.e. as far as possible the system should be fair to all ratepayers.*
- *transparency, i.e. the system should be able to be understood by ratepayers and all activities within it should be clear for all to observe.*
- *enforceability, i.e. the system should be administratively simple to operate and able to be complied with,*
- *The rating system should deliver allocations of costs that are justifiable.*
- *Those who benefit from QLDC services (including secondary beneficiaries) should contribute to costs.*
- *The rating system should be consistent with QLDC's objectives, so that desired outcomes are complemented or advanced."*

7.2 The proposed definition changes are not transparent and enforceable as they are inherently ambiguous. The Consultation Documents provided for public comment lack clarity and detail so as to enable the public to address concerns on the proposal. There is no explanation as to how broad the definition of Vacant Sections is intended to apply and how the wording of that definition change is intended to be interpreted.

7.3 As discussed in the preceding section of this submission, it is not clear how 'development' is to be construed and whether this would include all activities capable of obtaining resource consent in all zones, or whether it is intended to apply only to certain activity statuses within certain zones.

7.4 The definition change to Vacant Sections which might capture non-residential land is not justifiable as it does not address the issues identified by Council as sought to be remedied by this proposed change. The amendments will create an additional cost atop an already

complex land development process in the District. Those landowners already are facing steady increases in costs from Council's development contributions, process charges, and increasing needs for more information as part of development.

- 7.5 Council has also identified the potential complexity and additional cost arising from the proposed definition changes at page 127 of the Draft Annual Plan Consultation Document where it is acknowledged that:

*"However, there are some administration issues with this proposal. The main one relates to the mismatch that often exists between cadastral boundaries and zoning areas. This means that the existing rating unit will often comprise more than one zone. In order to set rates on the zoning, a series of rating divisions or apportionments will be necessary"*

- 7.6 The above scenario is unacceptable where landowners may own a rating unit which contains a very small portion of land with 'zoning for development' and would face an increase in rates despite the reality that development potential of the land is very unlikely.
- 7.7 The additional rating cost does not relate to provision of any additional services. That is fundamentally contrary to at least 2 of the Guiding Principles quoted above.

## 8. **Local Government Act 2002- Rating and Annual Plan requirements**

- 8.1 It is submitted that the changes proposed to the differential rating category definitions contained within the Funding Impact Statement are inherently flawed as they do not accord with the relevant provisions of local government legislation.
- 8.2 Schedule 10 of the Local Government Act 2002 (**LGA**) sets out the mandatory and optional requirements for territorial authorities to include in long-term plans, annual plans, and annual reports. Clause 20 of Schedule 10 establishes that an annual plan must include a 'funding impact statement' for the year to which the plan relates, and describes the form and contents required for the funding impact statement. Clause 20(3) in particular states the requirements for where rates are to be set differentially as follows:

*"(3) If the sources of funding include a general rate, the funding impact statement must—*

*...*

*(c) state whether the general rate is to be set differentially and, if so,—*

*(i) the categories of rateable land, within the meaning of section 14 of the Local Government (Rating) Act 2002, to be used; and*

*(ii) the objectives of the differential rate, in terms of the total revenue sought from each category of rateable land or the relationship between the rates set on rateable land in each category".*

- 8.3 Page 126 of the Draft Annual Plan Supporting Document states the following:

*"The rating legislation certainly allows QLDC to differentiate on the basis of existing or proposed zoning (Schedule 2 Local Government (Rating) Act 2002). The objective of any proposal to rate on the basis of zoning rather than current usage will need to be explicit. The following issues were discussed:*

*a) Encouraging release of zoned land*

*b) Promoting affordability*

*c) Recovering "holding costs" incurred by QLDC in relation to infrastructure planning and provision.*

*d) Deterring "land banking" by land owners*

*e) Avoiding expensive plan changes to enable development elsewhere".*

8.4 The above extract appears to be copied from the relevant pages of the Report attached at Appendix A. Neither the Report nor the above 'explanation' from the Draft Annual Plan Support Document identify the objectives of the differential rates in accordance with clause 20 of the LGA, or explain the issues in a meaningful way, despite acknowledging that such an explanation must be 'explicit'.

8.5 A detailed analysis of the above 'issues' is addressed above.

9. **The amendments are not in accordance with fair and reasonable local government decision making**

9.1 *Current and future needs of the community*

- (a) Section 101(1) of the LGA sets out an overarching principle for the local authority to consider when setting its revenue and financing policies within its planning instruments, s 101(1) states:

*"(1) A local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community".*

- (b) Although the funding principles set out in the subsequent sub sections of 101 are related to matters to consider when establishing sources of funding for particular activities, the above consideration is overarching for all revenue considerations of Council, including the general rating system.
- (c) There is no evidence in the Annual Plan Supporting Document that the Council has considered whether or how the increased revenue from the proposed differential rating categories will promote the current and future interests of the community. The Council assumes firstly that the rating increase will encourage development and secondly that if all vacant land with zoning for development were encouraged to develop in the near future this would promote housing supply and affordability.
- (d) It is submitted that, neither of these assumptions are validated in the Council Consideration Documents. It is usually the case that development is not the cause of growth but rather follows and responds to growth trends. If there is no growth in an area, it is unlikely to be developed. However, when an area experiences significant growth then development within the area occurs as a consequence. It is unreasonable and unjustified to penalise a landowner ratepayer where that person owns land which might be developed for, say, community or recreational or commercial purposes within a greenfield development but there is not yet the market demand for such services to be provided. In that instance a staged long-term approach is often more appropriate and will lead to better integrated and well considered planning outcomes.

## 9.2 Significant decisions under section 77 LGA

- (a) Council has correctly recognised the proposed amendments as being a 'significant decision' in accordance with its Significance and Engagement Policy and in accordance with section 76AA of the LGA.
- (b) Significant decisions must be made in accordance the factors in sections 76-79 of the LGA in addition to general common law principles of good judicial decision-making. The relevant sections of the LGA are set out below;

### *"77 Requirements in relation to decisions*

*(1) A local authority must, in the course of the decision-making process,—*

*(a) seek to identify all reasonably practicable options for the achievement of the objective of a decision; and*

*(b) assess the options in terms of their advantages and disadvantages; and*

*(c) if any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga.*

*(2) This section is subject to section 79".*

....

### *"79 Compliance with procedures in relation to decisions*

*(1) It is the responsibility of a local authority to make, in its discretion, judgments—*

*(a) about how to achieve compliance with sections 77 and 78 that is largely in proportion to the significance of the matters affected by the decision as determined in accordance with the policy under section 76AA; and*

*(b) about, in particular,—*

*(i) the extent to which different options are to be identified and assessed; and*

*(ii) the degree to which benefits and costs are to be quantified; and*

*(iii) the extent and detail of the information to be considered; and*

*(iv) the extent and nature of any written record to be kept of the manner in which it has complied with those sections." ...*

- (c) Council has not complied with the above provisions adequately. The only assessment in terms of section 77 options appears to be contained within the Council's Report for Agenda item 3 dated 24 March 2016 which considers only two options, one option being to consider the Funding and Rates Review report 2016 and to consult on the recommendations, and the other being to not consider the Report and not consult. There appears to be no quantified analysis as to options, benefits and costs of the substantive amendments themselves.

9.3 *Procedural impropriety*

- (a) Because of the above identified inconsistencies with the proposal in accordance with the LGA, it is submitted that the proposed definition changes, if included in the Funding Impact Statement, would be an illegitimate decision due to procedural impropriety. The mandatory considerations of the LGA do not appear to have been either expressly or impliedly addressed within the supporting documents for the proposed changes.

10. **Allenby seeks the relief requested in paragraph 2.8 above.**

11. **Allenby wishes to be heard in support of this Submission.**

12. **If others wish to make a similar submission, Allenby would be prepared to consider presenting a joint case with them at the hearing of the Draft Annual Plan 2016-17.**



.....  
Allenby Farms Limited  
By its duly authorised agents  
ANDERSON LLOYD  
Per: W P Goldsmith / R E Hill  
Date: 29 April 2016

**Address for service of Submitter:**

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## **FUNDING & RATES REVIEW REPORT 2016**

### **BACKGROUND**

Queenstown Lakes District Council (QLDC) last undertook a comprehensive review of the Funding Policy and Rating system during the 2011/12 year. QLDC has previously given a commitment that the funding/rating system would be reviewed on a three yearly basis. Normally, this review would have been undertaken as part of the Long Term Plan (LTP) process but was deferred for one year because of the need to focus on the implementation of new corporate software for the whole organisation during 2014/15.

New district-wide rating valuations came into effect from 1<sup>st</sup> July 2015 and the new LTP was adopted at the same time. It was therefore considered timely to instigate a funding/rating review during the 2015/16 year, which will have effect for the 2016/17 year.

The review was conducted by a working group made up of elected members supported by the Chief Financial Officer. This report summarises the recommended changes with the full Council having the final determination on any amendments to the Revenue and Financing Policy and the structure of the rating system.

### **SIGNIFICANCE OF DECISION**

The items covered by this report are considered to be significant under QLDC's Significance and Engagement Policy. It was recognised that any proposed changes to the Rates system or Revenue and Financing Policy would need to be incorporated into the draft Annual Plan for 2016/17 which is then subject to public consultation. The proposals to increase fees and charges for consenting activities under the Resource Management Act or Building Act, and for any fees and charges set under by-laws (i.e. Waterways), will require a separate dedicated report to Council and provides for a second formal opportunity to consult with ratepayers.

### **CONSULTATION - INTERESTED OR AFFECTED PERSONS**

The proposed changes to the Rates system or Revenue and Financing Policy will be incorporated into the Consultation Document for 2016/17 which is subject to public consultation. The proposals to increase fees and charges for consenting activities under the Resource Management Act or Building Act, and for any fees and charges set under by-laws (i.e. Waterways), will require use of the special consultative procedure. This will occur at a subsequent Council meeting.

### **RELEVANT COUNCIL POLICIES**

The following policy documents have been considered in the preparation of this report:

- The Revenue and Financing Policy (2012-22 LTP)
- Funding Impact Statement (2012-22 LTP)

### **REVIEW PROCESS**

From the outset, the importance of maintaining a structured approach to the review was recognised. For this reason, the review commenced with an overview of the current system

including the statutory framework and the relationship between the Revenue and Financing Policy and the Rating system.

The Revenue and Financing Policy indicates which funding tools are most appropriate for any given activity. Most of the focus for this part of the review was on those activities where funding targets are not being met. This is the first review since the amalgamation of Lakes Environmental and Lakes Leisure with QLDC in 2013/14.

The following activities have been reviewed in detail:

- Animal Control
- By-Law Enforcement
- Environmental Health
- Alcohol Licensing
- Waterways Facilities
- Waterways Control
- Building Control
- Resource Consents
- Aquatics

Generally, the review has resulted in changes to funding targets with some fee increases proposed for Animal Control (including dog registration); Environmental Health (including charges for food premises); Waterways; Resource Consents (including a review of staff charge out rates) and Aquatics (including pool charges).

From here, the following rates issues were considered:

- Rating of Residential Flats
- EECA proposal for Voluntary Targeted Rate for Residential insulation
- Rating of Land zoned for development but used as Primary Industry

These issues have arisen as a result of public submissions in the past 4 years or as a result of political concern. In summary, the report recommends a change in policy for the application of fixed charge rates on Residential Flats which will result in a reduction in rates for these properties. The report does not recommend the introduction of a Voluntary Targeted Rate for Residential insulation until the demand for this type of tool is better understood.

The report recommends a change in policy for the application of rates on Land zoned for development but used as Primary Industry, which will result in an increase in rates for these properties. These properties will be rated according to the underlying zoning rather than the current use (i.e. farming).

Finally, it has been necessary to evaluate the impacts of any proposed changes by recalculating the 2015/16 rates using the new proposals.

## **PROPOSED CHANGES TO THE QLDC FUNDING/RATING SYSTEM**

### **Guiding Principles**

The guiding principles that were adopted during previous reviews were endorsed:

- ♦ equity, i.e. as far as possible the system should be fair to all ratepayers.
- ♦ transparency, i.e. the system should be able to be understood by ratepayers and all activities within it should be clear for all to observe.

- ◆ enforceability, i.e. the system should be administratively simple to operate and able to be complied with,
- ◆ The rating system should deliver allocations of costs that are justifiable.
- ◆ Those who benefit from QLDC services (including secondary beneficiaries) should contribute to costs.
- ◆ The rating system should be consistent with QLDC's objectives, so that desired outcomes are complemented or advanced.

## **Revenue and Financing Policy**

Section 102 (2) of the Local Government Act 2002 requires each Council to adopt a Revenue and Financing Policy.

Section 103 outlines that this Policy must state the Council's policies in respect of the funding of both operating expenses and capital expenditure from listed sources, with the sources as outlined in section 103(2) being:

- a) *General rates including:*
  - (i) *choice of valuation system; and*
  - (ii) *differential rating; and*
  - (iii) *uniform annual general charges;*
- b) *targeted rates;*
- ba) *lump sum contributions;*
- c) *fees and charges;*
- d) *interests and dividends from investments;*
- e) *borrowing;*
- f) *proceeds from asset sales;*
- g) *development contributions;*
- h) *financial contributions under the Resource Management Act 1991;*
- i) *grants and subsidies;*
- j) *any other source.*

Section 101 (3) (b) states that in identifying the appropriate sources Council must consider the overall impact of any allocation of liability for revenue needs on the community. Council must also consider with regards to each activity to be funded:

- a) *the community outcomes to which the activity primarily contributes; and*
- b) *the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and*
- c) *the period in or over which those benefits are expected to occur; and*
- d) *the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and*
- e) *the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.*



## **Revenue and Financing Policy: Funding Issues**

A number of issues relating to the Revenue and Financing Policy in relation to the funding of particular activities were investigated. Most of the focus for this part of the review was on those activities where funding targets are not being met. This is the first review since the amalgamation of Lakes Environmental and Lakes Leisure with QLDC in 2013/14.

The following activities have been reviewed in detail:

- Animal Control
- By-Law Enforcement
- Environmental Health
- Alcohol Licensing
- Waterways Facilities
- Waterways Control
- Building Control
- Resource Consents
- Aquatics

### **Animal Control**

This activity deals primarily with the control of dogs in the district. The numbers of dogs and dog related complaints and incidents have increased over recent years. The annual cost associated with the activity is around \$423k per annum. The current private funding target is 55% with a forecast recovery of 57% from user fees for 2015/16.

The recommendation is to adjust the funding target to reflect an increased recovery from dog owners. The proposed private funding target has increased to 70% (up from 55%). The expected impact of the change is an increase in user charge revenue of around 30% (\$72k). If adopted, this will result in an increase to most current dog registration and impounding fees.

The proposed fees for 2016/17 are included in appendix A (attached). For example, the registration fee for a de-sexed pet dog (inclusive of available discounts) will rise from \$50 to \$55 (increase of 10%).

The level of increase in the proposed fees varies to reflect the service demands regarding dog control. For example, there are very few issues relating to working dogs, however, there are considerable demands from roaming whole dogs (not de-sexed), which are causing problems in our community such as attacks and getting into rubbish. The draft Annual Plan budget for 2016/17 includes a proposed increase in resourcing for this activity (up 0.5 FTE) due to the increase in activity (roaming dogs & dog attacks).

### **By-law and General Enforcement**

This activity deals primarily with the enforcement of consent conditions and by-laws in the district. The largest impact on this activity in recent years has been the introduction and enforcement of freedom camping rules. The annual cost associated with the activity is around \$718k per annum. The current private funding target is 30% with a forecast recovery of 39% from infringements and user fees for 2015/16.

The recommendation is to adjust the funding target to reflect the current recovery from freedom camping infringements. The proposed private funding target has increased to 40% (up from 30%). The expected impact of the change is that the revised target will be met if the collectability of freedom camping infringements is improved by 30%. This will result in a continuation of the initiatives to ensure that freedom camping fines are paid before overseas

offenders leave the country. It is recognised that if enforcement activities result in increased compliance, then revenue (from infringements) will decrease and the increased funding target will not be met.

### Environmental Health

This activity deals primarily with the inspection and licensing of registered premises in the district. The introduction of new Food Act 2014 (from 1<sup>st</sup> March 2016) will have a significant impact on this activity as business owners are required to comply with the new rules. The annual cost associated with the activity is around \$501k per annum.

The current economic benefit assessment is as follows: Private 45%; Public 50% and Exacerbator 5%. The proposed change reflects a higher private benefit to the business operator and a higher exacerbator factor which reflects the time and cost incurred in following up on non-compliance. The proposed economic benefit assessment is as follows: Private 60%; Public 30% and Exacerbator 10%.

The current private funding target is 50% with a forecast recovery of 38% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect an increased recovery from the owners of registered premises. The proposed private funding target has increased to 70% (up from 50%).

The expected impact of the change is an increase in user charge revenue of 75% (\$147k). If adopted, this will result in an increase to most current premises registration, inspection and auditing fees. The proposed fees for 2016/17 are included in appendix A (attached). For example, the verification fee for a food premise will rise from 26% to 155% depending on the size and category of the business.

The new fees reflect the estimated time spent by officers to administer the new legislation and take into account the additional time required to be spent in larger premises or with those not complying with the rules.

The draft Annual Plan budget for 2016/17 includes a proposed change to FTE allocation for this activity; up to 2.4 (up from 1.75 in the LTP) to reflect the actual time utilisation of the 3 existing Environmental Health Officers.

### Alcohol Licensing

This activity deals primarily with the inspection, monitoring and licensing of premises selling alcohol in the district. The introduction of new legislation has had a significant impact on this activity as business owners are required to comply with the new rules. The annual cost associated with the activity is around \$670k per annum. The current economic benefit assessment is as follows: Private 50%; Public 25% and Exacerbator 25%. The proposed change reflects a higher private benefit to the business operator and a slightly lower exacerbator factor which reflects the time and cost incurred in assisting licensees with their legal obligations; the application process; information to be provided and following up on non-compliance. The proposed economic benefit assessment is as follows: Private 60%; Public 30% and Exacerbator 10%.

The current private funding target is 60% with a forecast recovery of 85% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect the existing levels of recovery from the applicants. The proposed private funding target has increased to 70% (up from 60%). There is no expected impact on current user charge revenue as a result of the change.

The draft Annual Plan budget for 2016/17 includes a proposed increase in resourcing for this activity (up 2.0 FTE) due to the increasing workload. This will ensure that service levels are

improved and that QLDC meets all of its statutory obligations in this area. There is no impact on user charges as these changes can be funded from existing revenue.

The draft Annual Plan budget for 2016/17 also includes a proposed change to FTE allocation for this activity; to 0.6 (down from 1.25 in the LTP) to reflect the actual time utilisation of the 3 existing Environmental Health Officers.

### Waterways Facilities

This activity deals primarily with the provision, and maintenance of Council owned waterways assets (ramps, jetties, marinas) in the district. The current private funding target is 40% with a forecast recovery of 17% from user fees for 2015/16.

The recommendation is to investigate the introduction of a broader based "waterways fee" for all users of waterways assets (ramps, jetties, navigation aids etc.). This will require a change to regulations to allow infringements to be issued for non-compliance. The expected impact of such a change is to increase revenue by 235% (\$56k).

### Waterways Control

This activity deals primarily with the promotion and enforcement of safe use of the waterways in the district. The annual cost associated with the activity is around \$410k per annum. The current private funding target is 35% with a forecast recovery of 29% from user fees for 2015/16.

The recommendation is to review the fees set under the by-law to provide greater simplicity and to return to an annual fee regime. The expected impact of such a change is to increase revenue by 20% (\$24k).

### Building Control

This activity deals with all aspects of the building consent process, including the processing of applications; public enquiries; issuing consents and the inspection of building works in the district. The annual cost associated with the activity is around \$3.06m per annum.

The current economic benefit assessment is as follows: Private 90%; Public 5% and Exacerbator 5%. The proposed change reflects a lower private benefit to the applicant and a higher exacerbator factor which reflects the time and cost incurred in managing weather-tightness claims. The proposed economic benefit assessment is as follows: Private 80%; Public 5% and Exacerbator 15%.

The current private funding target is 95% with a forecast recovery of 81% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect the existing levels of recovery from the applicants. The proposed private funding target has decreased to 80% (down from 90%). There is no expected impact on current user charge revenue as a result of the change.

### Resource Consent Administration

This activity deals with all aspects of the resource consent process, including the processing of applications; public enquiries; issuing and monitoring of consents. The annual cost associated with the activity is around \$4.26m per annum. The current economic benefit assessment is as follows: Private 90%; Public 10% and Exacerbator 0%. The proposed change reflects a lower private benefit to the applicant and a higher public factor which reflects

the time and cost incurred in managing appeals and objections. The proposed economic benefit assessment is as follows: Private 80%; Public 20% and Exacerbator 0%.

The current private funding target is 90% with a forecast recovery of 64% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect a lower percentage recovery from user fees. The proposed private funding target has decreased to 80% (down from 90%). However, the current actual recovery percentage is only 64%. In order to achieve 80% recovery, a review of internal processes for recovering costs will be necessary. This will include a review of current fees and charges (including charge-out rates) and a review of the system for managing the cost of public enquiries.

The expected impact of the change is an increase in user charge revenue of 24% (\$660k). If adopted, this will result in an increase in the cost of most resource consent applications. The proposed charge-out rates and other charges made under the Resource Management Act will be considered by Council at the 28 April meeting. Any proposal to change these fees will require the special consultative procedure.

### Aquatics

This activity deals with the provision of indoor aquatic centres in the district. The annual cost associated with Alpine Aqualand is around \$2.69m per annum. The current private funding target is 60% with a forecast recovery of 53% from user fees for 2015/16.

The recommendation is to retain the funding target and to review admission charges in order to meet the 60% cost recovery. The expected impact of the change is an increase in user charge revenue of 13% (\$136k).

If adopted, this will result in an increase to some aquatic user fees. The proposed fees for 2016/17 are included in appendix A (attached). The proposed changes to some aquatic user fees have been recommended as a result of benchmarking our current fees to those in other districts. The existing \$2.00 fee for use of the hydro-slide for example is well below most other centres.

## **FIXED CHARGE RATES FOR RESIDENTIAL FLATS**

### Background

As part of the review process the working party considered rating issues raised through the submission process for the LTP and Annual Plans since 2012. There were a number of submissions relating to the current policy as regards the application of fixed charge rates to residential flats.

The common theme of these submissions is that it is not equitable to apply fixed charge rates at the full rate to residential flats. It is suggested that the policy should provide recognition of the following:

- Residential flats are smaller than dwellings (less demand on services)
- There is a shortage of rental accommodation and residential flats could ease the problem
- The current rating policy is a disincentive to residential flats because its application means that a residential flat will pay more than the same space used for visitor accommodation (through Mixed Use rates).

Fixed Charge Rates are applied on the basis of each “separately used or inhabited part” (SUIP) of a rating unit and each Council is required to have its own policy position as to how this applies. The current QLDC position is as follows:

### **Definition of “Separately Used or Inhabited Parts of a Rating Unit”**

Where rates are calculated on each separately used or inhabited part of a rating unit, the following definitions will apply:

- Any part of a rating unit that is used or occupied by any person, other than the ratepayer, having a right to use or inhabit that part by virtue of a tenancy, lease, licence, or other agreement.
- Any part or parts of a rating unit that is used or occupied by the ratepayer for more than one single use.

The following are considered to be separately used parts of a rating unit:

- Individual flats or apartments
- Separately leased commercial areas which are leased on a rating unit basis
- Vacant rating units
- Single rating units which contain multiple uses such as a shop with a dwelling or commercial activity with a dwelling
- A residential building or part of a residential building that is used, or can be used as an independent residence.

An independent residence is defined as a liveable space with its own kitchen, living and toilet/bathroom/laundry facilities that can be deemed to be a secondary unit to the main residence. Note: the definition of a kitchen comes from the District Plan.

The following are not considered to be separately used parts of a rating unit:

- A residential sleep-out or granny flat that does not meet the definition of an independent residence
- A hotel room with or without kitchen facilities
- A motel room with or without kitchen facilities
- Individual storage garages/sheds/portioned areas of a warehouse
- Individual offices or premises of business partners.

#### **District Plan definition of a Kitchen:**

Means any space, facilities and surfaces for the storage, rinsing preparation and/or cooking food, the washing of utensils and the disposal of waste water, including a food preparation bench, sink, oven, stove, hot-plate or separate hob, refrigerator, dish-washer and other kitchen appliances.

Clearly, residential flats are a SUIP under the policy and as such receive a full set of fixed charge rates at the full residential rate. The following rates are charged on a fixed amount basis:

Uniform Annual General Charge	\$86.00
Sports, Halls & Libraries Annual Charge	\$324.00
Governance & Regulatory Charge	\$71.00
Recreation & Events Charge	\$157.00
Waste Management Charge	\$136.00
Aquatic Centre Charge	\$95.00 (Wakatipu/Arrowtown only)
Water Supply Charge	\$180.00 to \$750.00 (depending on location)
Sewerage Charge	\$370.00 to \$650.00 (depending on location)

This means that for any dwelling in Queenstown, the total fixed charge rates amount to \$1,509 per annum. For a property with a median value of around \$670,000, fixed charge rates make up 60% of the total rates paid for the property (\$2,497).

If this same property included a residential flat, the total rates payable would increase by \$1,509 per annum to \$4,006; an increase of over 60%. If this same property with a flat, was registered as homestay, the total rates payable (as mixed use) would increase by \$700 per annum to \$3,197; an increase of 28%.

There is a clear inequity with regard to the relative rates payable between the two uses. In order to eliminate the discrepancy, it is proposed that a differential be introduced for a new rating category: Dwelling plus Residential Flat. The differential will apply to the following rate types:

Sports, Halls & Libraries Annual Charge	x1.4
Governance & Regulatory Charge	x1.4
Recreation & Events Charge	x1.4
Waste Management Charge	x1.4
Aquatic Centre Charge	x1.4

This effectively means that the Residential flat is charged at the rate of 40% of a dwelling for these differentially set targeted rates. The justification for this lies in the proportional use of services applicable to an average flat. The relative size of a residential flat to an average dwelling suggests a factor of 0.3 to 0.6 is appropriate.

The UAGC must be charged in full to each SUIP and it is recommended to use the existing 50% charges available for Water and Sewerage.

The impact of this proposal will be to reduce rates for dwellings with residential flats by around 20%. Using the example above, the revised rates will be \$3,178 (down from \$4,006) which is a decrease of 20.6%. This revised amount is also slightly less than the amount paid under mixed use (Homestay – short term).

The impact of the proposal will result in a transfer of rates incidence away from Residential Flats and to all other rating categories. It is expected that approximately \$140,000 of rates will need to be re-allocated. This will have a minor impact with Residential ratepayers picking up an additional \$15-20 per year per property, for example.

### **VOLUNTARY TARGETED RATE (EECA)**

QLDC received a submission from the Energy Efficiency and Conservation Authority (EECA) requesting that QLDC consider the introduction of a Voluntary Targeted Rate (VTR) to support the greater uptake of energy efficiency measures such as insulation or heating.

The matter was deferred to the Funding Review process for consideration. There are 11 other councils who have adopted VTR schemes. Most of these did so in conjunction with the central government scheme “Warm up New Zealand” which targeted assistance to low income homes from 2009 to 2013.

The VTR scheme is designed to be cost neutral to councils. Insulation is only provided to individual ratepayers who request it and who are willing to pay back the cost over a 9 to 10 year period. Typically, councils will set a cap on the amount of funding available each year and also on the amount each household can obtain as a VTR.

The panel supported the concept of the VTR but were concerned that there may not be the demand for such a scheme within the district. This is due to the cessation of the central government grant programme in 2013 and also due to the recent introduction of the joint initiative between the Central Lakes Trust and EECA to improve insulation in homes built before 2000 worth \$300,000.

The introduction of a Voluntary Targeted Rate for Residential insulation is not recommended at this stage until the demand for this type of tool is better understood.

### **RATING OF UNDEVELOPED LAND WITH ZONING**

The working party has also considered the rating of undeveloped land which is zoned for development. There are numerous examples around the district where rates are applied to the property on the basis of current use (i.e. Primary Industry) but the property has an underlying zoning which supports development.

The rating legislation certainly allows QLDC to differentiate on the basis of existing or proposed zoning (Schedule 2 Local Government (Rating) Act 2002). The objective of any proposal to rate on the basis of zoning rather than current usage will need to be explicit. The following issues were discussed:

- a) Encouraging release of zoned land
- b) Promoting affordability
- c) Recovering “holding costs” incurred by QLDC in relation to infrastructure planning and provision.
- d) Deterring “land banking” by land owners
- e) Avoiding expensive plan changes to enable development elsewhere

The simplest way of introducing this proposed change is to amend the current rating category known as Vacant Sections. The differential description as it appears in QLDC’s Funding Impact Statement is as follows:

#### **3. Vacant Sections (Existing)**

*All rating units which are vacant properties and suitable for development.*

The key phrases to this definition are “vacant properties” and “suitable for development”. This has meant that this definition applies quite narrowly to land that has been subdivided but sits passively awaiting development or sale by the owner. In order to include all undeveloped land which has zoning allowing development, the following definition would apply:

#### **3. Vacant Sections/Zoned Land (Proposed)**

*All rating units which are vacant properties and suitable for development or land zoned for development but used as Primary Industry.*

This approach would rate the land with zoning on the same basis as Vacant Sections. This includes higher differentials for most targeted rates. The impact on properties currently rated as Primary Industry would see the rates increase by 43 to 154% depending on location and connection of services. The average increase for the 11 properties modelled was 86% (total increase of 132k).

If this proposal were to be introduced, the definition of Primary Industry would need to be amended to exclude land with zoning for development.

#### **8. Primary Industry (Proposed)**

*All rating units:*

- *Used exclusively or principally for agricultural or horticultural purposes including dairying, stock fattening, arable farming, share sheep, market gardens, vineyards, orchards, specialist livestock, forestry or other similar uses, or*
- *Which are ten hectares or more in area and located in any of the Rural or Special Zones contained in the Queenstown Lakes District Council's District Plan as at 1 July of the current rating year.*
- *But excluding all properties used as Primary Industry but rated under Category 3 Vacant Sections/Zoned Land.*

However, there are some administration issues with this proposal. The main one relates to the mismatch that often exists between cadastral boundaries and zoning areas. This means that the existing rating unit will often comprise more than one zone. In order to set rates on the zoning, a series of rating divisions or apportionments will be necessary.

### **EFFECTS OF PROPOSED CHANGES TO THE QLDC RATING SYSTEM**

The proposed changes to the Revenue and Financing Policy will result in some changes to fees and charges for 2016/17.

There are revenue increases proposed in the draft budget for the Annual Plan 2016/17 for the following activities: Animal Control (including dog registration) of \$72k (30%); Environmental Health (including charges for food premises) of \$147k (75%); Waterways \$24k (20%); Resource Consents (including a review of staff charge out rates) \$660k (24%) and Aquatics (including pool charges) \$136k (13%).

The following rates issues were considered:

- Rating of Residential Flats
- EECA proposal for Voluntary Targeted Rate for Residential insulation
- Rating of Land Zoned for development but used as Primary Industry

The impact of the proposed changes to rating policy will have a minor impact on rating incidence overall because there are relatively few properties affected. There are just over 200 properties which potentially include a residential flat and which could benefit from the proposal to reduce the incidence of fixed charge rates. If implemented, the negative rate impact on other properties will be minor (i.e. an additional \$15 to \$20 per annum for residential properties).

There are estimated to be fewer than 20 properties which are currently rated as Primary Industry but are zoned for development and which will be impacted by the proposal to rate by zoning instead of usage. If implemented, the positive rate impact on other properties will be minor (i.e. a reduction of \$1 to \$2 per annum for residential properties).



## Appendix A – Proposed Fees for 2016/17

### Animal Control

#### *Annual Dog Registration Fees \*CURRENT\**

Category	Standard Fee (incl GST)	Effective Fencing Reduction	Positive History Reduction	Potential Discounted Fee
Guide/ Companion Dog	Nil	-	-	-
Working Dog	\$35	\$3	\$2	\$30
De-sexed Dog	\$60	\$6	\$4	\$50
Dangerous/ Menacing Dog	\$165	\$10	\$10	\$145
All Other Dogs	\$68	\$4	\$4	\$60

#### *Annual Dog Registration Fees \*PROPOSED\**

Category	Standard Fee (incl GST)	Effective Fencing Reduction	Positive History Reduction	Potential Discounted Fee
Guide/ Companion Dog	Nil	-	-	-
Working Dog	\$70	\$20	\$20	\$30
De-sexed Dog	\$115	\$30	\$30	\$55
Dangerous/ Menacing Dog	\$245	\$40	\$40	\$165
All Other Dogs	\$155	\$40	\$40	\$75

#### *Overall Annual Dog Registration Fee Increase (using Discounted Fee)*

Category	Proposed Increase
Guide/Companion Dog	0%
Working Dog	0%
De-sexed Dog	10%
Dangerous/Menacing Dog	14%
All other Dogs	25%

The proposed fees reflect the changes as per the Revenue and Financing Policy which indicates an increase in user charge revenue to compensate for the increase in dog related complaints and incidents in recent years.

### *Impounding Fees (incl GST)*

	1 <sup>st</sup> Occurrence	2 <sup>nd</sup> Occurrence	3 <sup>rd</sup> Occurrence
<b>Current Fee</b>	\$100	\$160	\$240
<b>Proposed Fee</b>	\$125	\$200	\$300
<b>Proposed Increase</b>	25%	25%	25%

Impounding fees are direct costs to the user on a graduated increase for roaming dogs that are collected. The issue of roaming dogs remains the largest animal related issue in our community, therefore this increase is intended to promote self-compliance by dog owners.

### **Environmental Health**

#### *Registration Fees \*CURRENT\* (incl GST)*

Business Size / Risk Category	Category A	Category B	Category C	Category D
<b>Level 1</b>	\$285	\$315	\$355	\$405
<b>Level 2</b>	\$320	\$350	\$390	\$440
<b>Level 3</b>	\$375	\$405	\$445	\$495
<b>Level 4</b>	\$485	\$515	\$555	\$605

Food Control Plans      \$350 flat rate (incl GST)

#### *Verification Fees \*PROPOSED\* (incl GST)*

Business Size / Risk Category	Category A	Category B	Category C	Category D
<b>Level 1</b>	\$360	\$540	\$720	\$900
<b>Level 2</b>	\$540	\$720	\$900	\$1080
<b>Level 3</b>	\$720	\$900	\$1080	\$1260
<b>Level 4</b>	\$900	\$1080	\$1260	\$1440

### *Food Control Plans and National Programmes*

Registration is a straightforward administrative task therefore it is proposed that registration is free to encourage self-compliance. A new \$450 infringement for not registering will apply as set by statute.

### *Proposed Increase*

<b>Business Size / Risk Category</b>	<b>Category A</b>	<b>Category B</b>	<b>Category C</b>	<b>Category D</b>
<b>Level 1</b>	26%	71%	103%	122%
<b>Level 2</b>	69%	105%	131%	145%
<b>Level 3</b>	92%	122%	143%	155%
<b>Level 4</b>	86%	110%	127%	138%

The proposed fees incorporate the changes required by the Revenue and Financing Policy and reflect the time to undertake an audit of a food business, which is dependent on the size of the operation and the level of risk associated with the food being prepared.

The business size classifications are outlined below:

- Level 1 – Small business (National Programme 1)
- Level 2 – Medium size business (National Programme 2 or 3)
- Level 3 – Large size business (Food Control Plan)
- Level 4 – Very large business (Food Control Plan)

### *New Premises Fees (incl GST)*

<b>Level</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Level 1</b>	\$615	\$720	17%
<b>Level 2</b>	\$650	\$900	38%
<b>Level 3</b>	\$705	\$1080	53%
<b>Level 4</b>	\$815	\$1260	55%

The proposed fees reflect the time to assist and process new operators pursuant to the Food Act 2014 which came into effect on 1 March 2016.

### **Aquatics**

#### *Casual Fees (incl GST)*

<b>Category</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Adult</b>	\$8.00	\$8.00	0%
<b>Child</b>	\$3.00	\$4.00	33%
<b>Beneficiary/Senior</b>	\$4.50	\$4.50	0%
<b>Hydroslide</b>	\$2.00	\$5.00	150%

#### *3 Months Pre-Paid (incl GST)*

<b>Category</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Adult</b>	\$129	\$169	31%
<b>Child</b>	\$49	\$59	20%
<b>Beneficiary/Senior</b>	\$59	\$79	34%

*6 Months Pre-Paid (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$219	\$270	23%
Child	\$89	\$109	22%
Beneficiary/Senior	\$109	\$129	18%
Family	\$399	\$429	8%

*12 Months Pre-Paid (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$329	\$399	21%
Child	\$139	\$179	29%
Beneficiary/Senior	\$169	\$209	24%
Family	\$659	\$709	7%

*6 Month Direct Debit (monthly fee) (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$9.00	\$11.00	22%
Child	\$4.00	\$5.00	25%
Beneficiary/Senior	\$5.00	\$6.00	20%
Family	\$16.50	\$19.00	15%

*12 Month Direct Debit (monthly fee) (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$7.00	\$9.00	29%
Child	\$3.00	\$4.00	33%
Beneficiary/Senior	\$3.50	\$4.50	29%
Family	\$13.50	\$16.00	19%

The proposed fees reflect the changes as per the Revenue and Financing Policy which indicates an increase in user charge revenue via admission charges in order to meet the existing funding target.



"B"

New Zealand Legislation

# Local Government (Rating) Act 2002

• with search matches highlighted

## Schedule 2

ss 14, 17

### Matters that may be used to define categories of rateable land

- 1 The use to which the land is put.
- 2 The activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative district plan or regional plan under the Resource Management Act 1991.
- 3 The activities that are proposed to be permitted, controlled, or discretionary activities, and the proposed rules for the area in which the land is situated under a proposed district plan or proposed regional plan under the Resource Management Act 1991, but only if—
  - (a) no submissions in opposition have been made under clause 6 of Schedule 1 of that Act on those proposed activities or rules, and the time for making submissions has expired; or
  - (b) all submissions in opposition, and any appeals, have been determined, withdrawn, or dismissed.
- 4 The area of land within each rating unit.
- 5 The provision or availability to the land of a service provided by, or on behalf of, the local authority.
- 6 Where the land is situated.
- 7 The annual value of the land.
- 8 The capital value of the land.
- 9 The land value of the land.

# ROBERT STEWART STEWART, ROBERT

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## REVENUE AND FINANCING POLICY

Please see attached submission

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## RATING POLICY

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## DEVELOPMENT CONTRIBUTION POLICY

## Submission on Queenstown Lakes District Council Annual Plan 2016-17

**To:** **Queenstown Lakes District Council**  
PO Box 50072  
Queenstown 9348

**Name of Submitter:** **Robert Stewart**  
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### 1. **Introduction**

- 1.1 This is a submission on behalf of Robert Stewart ("**Submitter**") on the Queenstown Lakes District Council ("**Council**") Draft Annual Plan 2016-17 supporting document ("**Draft Annual Plan**").
- 1.2 The Submitter owns land legally described as Lot 1 DP 16632 and Lot 3 DP 477149 ("**the Property**"). The Property is situated at the eastern end of the Arthurs Point Rural Visitor Zone on the northern side of Arthurs Point Road. The Property is zoned Rural Visitor under the Operative District Plan (the Rural Visitor zone is not subject to Stage 1 of the District Plan Review).
- 1.3 The Submitter is a ratepayer within the Queenstown Lakes District.
- 1.4 The specific issues of the Draft Annual Plan which this Submission relates to are the proposed changes to the differential rating system used by the Council and as identified in its Funding Impact Statement.
- 1.5 This submission has been structured in two sections:
  - Specific submission in respect of the Submitter's Property;
  - General submission on behalf of the Submitter.

### 2. **Specific Submission**

- 2.1 The Submission is as follows:
  - (a) The Property is zoned Rural Visitor. The Special Zones Chapter 12 of the ODP provides that Buildings are a controlled activity subject to site and zone standards and Visitor Accommodation is a permitted activity.
  - (b) Whilst there is potential for the land to be developed in accordance with its zoning, in reality this task is difficult due to geographical and topographical constraints. Any development of this land needs to be carefully considered and planned.
  - (c) The Purpose of the Rural Visitor Zone in Chapter 12 of the ODP is as follows:

*"The purpose of the Rural Visitor Zone is to complement the existing range of visitor accommodation opportunities in the District and provide for increased opportunity for people to experience the rural character, heritage and amenity of the rural area. The*

*Zone provides for a range of accommodation, entertainment, cultural and recreational activities.*

*The Rural Visitor Zone applies to areas of land which are recognised as having visitor interest, are isolated from town centres and can make a significant contribution to the range of accommodation and activities available within the District".*

- (d) The Zone does specifically not anticipate residential activity, and even if the land were developed in accordance with the Zone provisions it would not relieve the pressure of housing affordability and supply within the District.

- 2.2 The Submitter comments on the Council's five intended objectives, as they relate to the Submitter's land.

*Encouraging release of zoned land*

The Property is maintained and kept in a pristine state for the enjoyment of visitors and the owners. The Submitter has owned the land for a significant period of time with the intention of implementing a considered and well-designed development of the land in the future. The proposed rating increase will not encourage earlier development of the land.

*Promoting affordability*

- 2.3 The Submitter's land is not zoned for entry level housing or for the residential market. It has unique and special characteristics which are relevant to visitors to the Queenstown Lakes District. The land is certainly capable of future development, but not of residential development and not to provide affordable living options.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

- 2.4 The Submitter is already paying rates in respect of the Property which is mostly undeveloped and therefore makes little use of Council services. The Consultation Documents do not provide any analysis establishing whether or not the Council is already adequately reimbursed for any holding costs relevant to the Property in relation to existing infrastructure.

*Deterring "landbanking" by landowners*

- 2.5 The Submitter does not consider it reasonable of the Council to consider the relatively small Property as being 'landbanked'. The land has been maintained in a pristine condition in the interim period before development occurs. There are specific factors which constrain immediate development of the land. If this small undeveloped Property is being 'landbanked' then virtually every undeveloped property in the District which is zoned for development is being 'landbanked'. The Submitter does not accept that that term is fairly and reasonably applied to the Submitter's Property.

*Avoiding expensive plan changes to enable development elsewhere*

- 2.6 The District contains extensive areas of land zoned for visitor accommodation, including all of the High Density Residential zoned land. The Consultation Documents do not contain any analysis which support any likelihood of the Council having to undertake expensive plan changes elsewhere as a result of the Submitter's Property not being developed.

- 2.7 **Relief Requested** – The Submitter requests the following relief arising from matters detailed in this Submission:

- (a) That the proposed differential rating amendments be abandoned; **OR**



- (b) That the definition of Vacant Section (as now amended) be further amended to exclude land zoned Rural Visitor.

### 3. Summary of General Submission

- 3.1 The changes proposed by Council detailed in the Funding Impact Statement through its Annual Plan 2016-17 are **opposed** by DPL because the intended changes are fundamentally flawed. The premise of rates is to generate income for local authorities to provide services which are then delivered to those rating units. The changes proposed to the definitions of Vacant Sections and Primary Industries to increase income from rates levied against those units is not based upon the provision of additional or extra services to those units. The changes therefore do not serve a legitimate purpose.
- 3.2 The mechanism of instigating this change through the proposed definitions is problematic as it is so broad it potentially captures a huge range of properties within the District, from rural general land which is capable of obtaining discretionary consent to subdivide, to visitor accommodation subzones with controlled activity status for buildings, to residential zoned land which is yet to be built on. The Submitter assumes the latter is the only category intended to be caught by the changes, but that is not the effect of the changes.
- 3.3 In addition to and without derogating from the general reasons above, the Submitter opposes the changes for the following reasons:
  - (a) The amendments proposed to the definitions of differential rating categories are ambiguous and do not provide certainty for ratepayers as to the rating status of land;
  - (b) The amendments do not achieve the desired objectives of Council which are relied on to support the amendments;
  - (c) The amendments are not in accordance with Council's Guiding Principles as cited in the Annual Plan;
  - (d) This proposed differential rate is not consistent with the scheme and purpose of the Local Government Act 2002 (Schedule 10) and the Local Government (Rating) Act 2002 (Schedule 2); and
  - (e) The decision to make the proposed definition changes to differential rating categories is not a fair and reasonable decision for the Council to make, and has not been made in accordance with the decision-making requirements of section 77 of the Local Government Act 2002.

### 4. Definition/Interpretation Problems

- 4.1 The proposed amendments referred to throughout this submission are the proposed definition changes to the differential rating categories known as '*Vacant Sections*' and '*Primary Industries*' contained within the QLDC Funding Impact Statement. The definition changes are proposed as follows (track changes have been included by the submitter as no track changes have been included in the consultation documents).

#### *Vacant Sections/Zoned Land (Proposed)*

*"All rating units which are vacant properties and suitable for development or land zoned for development but used as Primary Industry".*

...

#### *Primary Industry (Proposed)*

*"All rating units:*

- *Used exclusively or principally for agricultural or horticultural purposes including dairying, stock fattening, arable farming, share sheep, market gardens, vineyards, orchards, specialist livestock, forestry or other similar uses, or*
- *Which are ten hectares or more in area and located in any of the Rural or Special Zones contained in the Queenstown Lakes District Council's District Plan as at 1 July of the current rating year.*
- *But excluding all properties used as Primary Industry but rated under Category 3 Vacant Sections/Zoned Land".*

4.2 The amendments identified above give rise to the following definition and interpretation problems:

- (a) All land in the district is zoned for development to a greater or lesser degree, ranging from (easy) permitted activity residential development in residential zones through to (difficult) discretionary residential activities in outstanding natural landscapes. Therefore the definition potentially catches all land.
- (b) It is unclear whether the phrase "... used as Primary Industry ..." in both amended sections quoted above is intended to capture just the first bullet point in the definition of Primary Industry or the first and second bullet points. Therefore it is unclear whether the amended provisions are just intended to apply to properties in excess of 10ha which are zoned for development, or whether they are intended to apply to all properties zoned for development regardless of size.

4.3 Given the definition and interpretation problems identified above, it is difficult to see how the Council can make the statement on page 127 of the Annual Plan that "*There are estimated to be fewer than 20 properties which are currently rated as Primary Industry but are zoned for development and which will be impacted by the proposal to rate by zoning instead of usage*". If that statement is in fact true, then it is submitted that the amendments quoted above do not achieve that intention.

4.4 It is submitted that, at the very least:

- (1) The generic phrase "*zoned for development*" should be replaced with reference to specific zonings intended to be captured;
- (2) The amendments should be clarified as to whether the 10ha trigger applies.

## 5. **The amendments do not achieve the desired objectives of Council**

5.1 The Funding and Rates Review Report 2016, which appears to be the main justification for the proposed amendments to the differential rating category definitions is a high-level policy document which fails to assess actual costs and benefits of the proposed changes and lacks real quantitative and qualitative analysis. The Report is not divided into sections and does not include page numbers, but the relevant pages of the Report are attached as "**Appendix A**". The Report does not explain how the amendments will achieve the Council's identified objectives.

### *Encouraging release of zoned land*

5.2 There is no explanation or analysis explaining how the proposed rating increase will encourage the release of zoned land. That would only apply if the economic incentive arising from the rate increase resulted in a development decision that it is preferable to develop and sell the land rather than to continue to incur the rating costs. However the holding cost of rates is a minor factor in any overall decision as to whether to hold or develop land which is able to be developed. There is no evidence or analysis supporting a contention that the

proposed rate increase has any reasonable chance of causing a change in decisions about development.

*Promoting affordability*

- 5.3 There is no evidence or analysis explaining how the proposed increase in rates will promote the affordability of housing.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

- 5.4 Land rated under the Primary Industry category is already paying rates in respect of services which that land either does not use or only uses to a minimal extent (such as roading). There is no explanation or justification as to why the existing Primary Industry rating differential does not already provide adequate reimbursement to Council for any relevant holding costs.
- 5.5 There is no analysis of the "holding costs" which are being referred to. Such "holding costs" relate primarily to infrastructure services such as sewerage and potable water supply. If those are the "holding costs" being referred to, and without taking away from the previous point, the proposed rating differential increase should be limited to land zoned for development located within rating areas where QLDC provides specific infrastructural services such as sewerage and water supply.
- 5.6 This rating change will result in undeveloped land, currently being used for Primary Industry, being levied with a stormwater rate which was not previously levied against such land. No explanation or justification for that change has been provided.

*Deterring "landbanking" by landowners*

- 5.7 The points made above under the heading "*Encouraging release of zoned land*" also apply here. There is no explanation or justification as to how the proposed rating increase will provide economic incentives sufficient to change decisions made about whether or not land should be developed.

*Avoiding expensive plan changes to enable development elsewhere*

- 5.8 No examples have been given of where the Council has incurred any cost in relation to "*expensive plan changes*" as a result of lack of availability of land for development. All recent plan changes providing for housing in particular have been private plan changes and/or public plan changes where private developers have carried the cost. The District Plan Review is an expense Council must incur regardless because of statutory requirements. No justification at all under this heading has been provided.

**6. The amendments are ambiguous and unnecessarily broad**

- 6.1 Schedule 2 of the Local Government (Rating) Act 2002 attached as ("**Appendix B**") sets out the matters that must be used to define categories of rateable land. It is not explicit in the Consultation Documents which category of Schedule 2 is being relied upon, but it is assumed to be subclause 2, given the early stages at which the Proposed District Plan is at. Sub-clause 2 is as follows;

" ...

*(2) The activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative district plan or regional plan under the Resource Management Act 1991".*

6.2 Without further explanation of the definition change to '*Vacant Sections*', it is assumed that '*zoned for development...*' will include any land within the Operative District Plan which can be 'developed' in accordance with the permitted, controlled, and discretionary activity rules of the rating unit's underlying zone. That covers all land in the District.

6.3 The interpretation to be given to that definition, or its intent is not discussed within the Consultation Documents, and the submitter is concerned it will have very wide-ranging consequences. A definition of 'development' in the Local Government Act 2002 may be of assistance (as it applies to development contributions):

*"development means—*

*(a) any subdivision, building (as defined in section 8 of the Building Act 2004), land use, or work that generates a demand for reserves, network infrastructure, or community infrastructure; but*

*(b) does not include the pipes or lines of a network utility operator"*

6.4 The definition of '*development*' above is inherently broad and captures land use which essentially means to alter the land in a way that adds monetary value to it. Most development within the Lakes District, regardless of what underlying zoning it has, will be captured by the above definition of '*development*'.

6.5 The definition of '*Vacant Section*' does not appear to discern between types of development or different types of zones, therefore the definition could potentially capture everything from land with underlying commercial zoning with permitted activity status for intensive development, through to land in the Rural General Zone which has discretionary activity status for subdivision and the identification of building platforms.

6.6 A Rural General zoned area of land which is over 10 hectares or is currently being farmed, but which could in theory be developed through discretionary applications under the Operative Plan, would potentially be caught within the definition change but would not assist in resolving Council's identified issues such as land banking and increasing housing affordability.

6.7 It is assumed the Council's rating policy is not intended to catch the latter scenario and therefore the definition of Vacant Section is unnecessarily broad and ambiguous.

6.8 Other examples of this definition change capturing unintended rating units could include;

(a) Land with underlying rural living development potential such as in the Rural Lifestyle and Rural Residential zones;

(b) Special Zones which include Ski Area Subzones/Visitor Accommodation Subzones; and

(c) Recently zoned greenfield developments which might have a staged long-term master-planned approach to development in order to meet community and planning needs.

6.9 All of the above examples provide significant positive benefits to the community but are not necessarily capable of mitigating a shortage of affordable housing supply or increasing the availability of residential land for residential purposes. Any such definition change to the differential rating categories should therefore exclude the above examples so as to only capture land with appropriate zoning, such as residential zoned land with controlled or permitted activity status for residential development which is serviced by Council infrastructure.

**7. The amendments are not in accordance with the Guiding Principles**

**7.1 The Draft Annual Plan Consultation Document, at page 121 States the following Guiding Principles are relevant in proposing changes to the funding/rating system:**

*"Guiding Principles*

*The guiding principles that were adopted during previous reviews were endorsed:*

- *equity, i.e. as far as possible the system should be fair to all ratepayers.*
- *transparency, i.e. the system should be able to be understood by ratepayers and all activities within it should be clear for all to observe.*
- *enforceability, i.e. the system should be administratively simple to operate and able to be complied with,*
- *The rating system should deliver allocations of costs that are justifiable.*
- *Those who benefit from QLDC services (including secondary beneficiaries) should contribute to costs.*
- *The rating system should be consistent with QLDC's objectives, so that desired outcomes are complemented or advanced."*

**7.2 The proposed definition changes are not transparent and enforceable as they are inherently ambiguous. The Consultation Documents provided for public comment lack clarity and detail so as to enable the public to address concerns on the proposal. There is no explanation as to how broad the definition of Vacant Sections is intended to apply and how the wording of that definition change is intended to be interpreted.**

**7.3 As discussed in the preceding section of this submission, it is not clear how 'development' is to be construed and whether this would include all activities capable of obtaining resource consent in all zones, or whether it is intended to apply only to certain activity statuses within certain zones.**

**7.4 The definition change to Vacant Sections which might capture non-residential land is not justifiable as it does not address the issues identified by Council as sought to be remedied by this proposed change. The amendments will create an additional cost atop an already complex land development process in the District. Those landowners already are facing steady increases in costs from Council's development contributions, process charges, and increasing needs for more information as part of development.**

**7.5 Council has also identified the potential complexity and additional cost arising from the proposed definition changes at page 127 of the Draft Annual Plan Consultation Document where it is acknowledged that;**

*"However, there are some administration issues with this proposal. The main one relates to the mismatch that often exists between cadastral boundaries and zoning areas. This means that the existing rating unit will often comprise more than one zone. In order to set rates on the zoning, a series of rating divisions or apportionments will be necessary"*

**7.6 The above scenario is unacceptable where landowners may own a rating unit which contains a very small portion of land with 'zoning for development' and would face an increase in rates despite the reality that development potential of the land is very unlikely.**

7.7 The additional rating cost does not relate to provision of any additional services. That is fundamentally contrary to at least 2 of the Guiding Principles quoted above.

**8. Local Government Act 2002- Rating and Annual Plan requirements**

8.1 It is submitted that the changes proposed to the differential rating category definitions contained within the Funding Impact Statement are inherently flawed as they do not accord with the relevant provisions of local government legislation.

8.2 Schedule 10 of the Local Government Act 2002 (**LGA**) sets out the mandatory and optional requirements for territorial authorities to include in long-term plans, annual plans, and annual reports. Clause 20 of Schedule 10 establishes that an annual plan must include a 'funding impact statement' for the year to which the plan relates, and describes the form and contents required for the funding impact statement. Clause 20(3) in particular states the requirements for where rates are to be set differentially as follows;

*"(3) If the sources of funding include a general rate, the funding impact statement must—*

*...*

*(c) state whether the general rate is to be set differentially and, if so,—*

*(i) the categories of rateable land, within the meaning of section 14 of the Local Government (Rating) Act 2002, to be used; and*

*(ii) the objectives of the differential rate, in terms of the total revenue sought from each category of rateable land or the relationship between the rates set on rateable land in each category".*

8.3 Page 126 of the Draft Annual Plan Supporting Document states the following:

*"The rating legislation certainly allows QLDC to differentiate on the basis of existing or proposed zoning (Schedule 2 Local Government (Rating) Act 2002). The objective of any proposal to rate on the basis of zoning rather than current usage will need to be explicit. The following issues were discussed:*

*a) Encouraging release of zoned land*

*b) Promoting affordability*

*c) Recovering "holding costs" incurred by QLDC in relation to infrastructure planning and provision.*

*d) Deterring "land banking" by land owners*

*e) Avoiding expensive plan changes to enable development elsewhere".*

8.4 The above extract appears to be copied from the relevant pages of the Report attached at Appendix A. Neither the Report nor the above 'explanation' from the Draft Annual Plan Support Document identify the objectives of the differential rates in accordance with clause 20 of the LGA, or explain the issues in a meaningful way, despite acknowledging that such an explanation must be 'explicit'.

8.5 A detailed analysis of the above 'issues' is addressed above.

9. **The amendments are not in accordance with fair and reasonable local government decision making**

9.1 *Current and future needs of the community*

- (a) Section 101(1) of the LGA sets out an overarching principle for the local authority to consider when setting its revenue and financing policies within its planning instruments, s 101(1) states:

*"(1) A local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community".*

- (b) Although the funding principles set out in the subsequent sub sections of 101 are related to matters to consider when establishing sources of funding for particular activities, the above consideration is overarching for all revenue considerations of Council, including the general rating system.
- (c) There is no evidence in the Annual Plan Supporting Document that the Council has considered whether or how the increased revenue from the proposed differential rating categories will promote the current and future interests of the community. The Council assumes firstly that the rating increase will encourage development and secondly that if all vacant land with zoning for development were encouraged to develop in the near future this would promote housing supply and affordability.
- (d) It is submitted that neither of these assumptions are validated in the Council Consideration Documents. It is usually the case that development is not the cause of growth but rather follows and responds to growth trends. If there is no growth in an area, it is unlikely to be developed. However, when an area experiences significant growth then development within the area occurs as a consequence. It is unreasonable and unjustified to penalise a landowner ratepayer where that person owns land which might be developed for, say, community or recreational or commercial purposes within a greenfield development but there is not yet the market demand for such services to be provided. In that instance a staged long-term approach is often more appropriate and will lead to better integrated and well considered planning outcomes.

9.2 *Significant decisions under section 77 LGA*

- (a) Council has correctly recognised the proposed amendments as being a 'significant decision' in accordance with its Significance and Engagement Policy and in accordance with section 76AA of the LGA.
- (b) Significant decisions must be made in accordance the factors in sections 76-79 of the LGA in addition to general common law principles of good judicial decision-making. The relevant sections of the LGA are set out below;

*"77 Requirements in relation to decisions*

*(1) A local authority must, in the course of the decision-making process,—*

*(a) seek to identify all reasonably practicable options for the achievement of the objective of a decision; and*

*(b) assess the options in terms of their advantages and disadvantages; and*

*(c) if any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga.*

*(2) This section is subject to section 79".*

....

*"79 Compliance with procedures in relation to decisions*

*(1) It is the responsibility of a local authority to make, in its discretion, judgments—*

*(a) about how to achieve compliance with sections 77 and 78 that is largely in proportion to the significance of the matters affected by the decision as determined in accordance with the policy under section 76AA; and*

*(b) about, in particular,—*

*(i) the extent to which different options are to be identified and assessed; and*

*(ii) the degree to which benefits and costs are to be quantified; and*

*(iii) the extent and detail of the information to be considered; and*

*(iv) the extent and nature of any written record to be kept of the manner in which it has complied with those sections." ...*

- (c) Council has not complied with the above provisions adequately. The only assessment in terms of section 77 options appears to be contained within the Council's Report for Agenda item 3 dated 24 March 2016 which considers only two options, one option being to consider the Funding and Rates Review report 2016 and to consult on the recommendations, and the other being to not consider the Report and not consult. There appears to be no quantified analysis as to options, benefits and costs of the substantive amendments themselves.

### 9.3 *Procedural impropriety*

- (a) Because of the above identified inconsistencies with the proposal in accordance with the LGA, it is submitted that the proposed definition changes, if included in the Funding Impact Statement, would be an illegitimate decision due to procedural impropriety. The mandatory considerations of the LGA do not appear to have been either expressly or impliedly addressed within the supporting documents for the proposed changes.

## 10. **The Submitter seeks the following relief:**

- (a) That the proposed changes to the differential rating categories of '*Vacant Sections*' and '*Primary Industries*' are not included in the QLDC Funding Impact Statement; **OR**
- (b) If the proposed changes to the definitions of *Vacant Sections* and *Primary Industries* are included in the QLDC Funding Impact Statement then the definitions should be appropriately refined so as to exclude land zoned Rural Visitor; **AND**



- (c) Any consequential alternative or necessary relief to address the concerns identified within this submission.

11. **The Submitter wishes to be heard in support of this Submission.**
12. **If others wish to make a similar submission, the Submitter would be prepared to consider presenting a joint case with them at the hearing of the Draft Annual Plan 2016-17.**



.....  
Robert Stewart  
By his duly authorised agents  
ANDERSON LLOYD  
Per: W P Goldsmith / R E Hill  
Date: 29 April 2016

**Address for service of Submitter:**

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## **FUNDING & RATES REVIEW REPORT 2016**

### **BACKGROUND**

Queenstown Lakes District Council (QLDC) last undertook a comprehensive review of the Funding Policy and Rating system during the 2011/12 year. QLDC has previously given a commitment that the funding/rating system would be reviewed on a three yearly basis. Normally, this review would have been undertaken as part of the Long Term Plan (LTP) process but was deferred for one year because of the need to focus on the implementation of new corporate software for the whole organisation during 2014/15.

New district-wide rating valuations came into effect from 1<sup>st</sup> July 2015 and the new LTP was adopted at the same time. It was therefore considered timely to instigate a funding/rating review during the 2015/16 year, which will have effect for the 2016/17 year.

The review was conducted by a working group made up of elected members supported by the Chief Financial Officer. This report summarises the recommended changes with the full Council having the final determination on any amendments to the Revenue and Financing Policy and the structure of the rating system.

### **SIGNIFICANCE OF DECISION**

The items covered by this report are considered to be significant under QLDC's Significance and Engagement Policy. It was recognised that any proposed changes to the Rates system or Revenue and Financing Policy would need to be incorporated into the draft Annual Plan for 2016/17 which is then subject to public consultation. The proposals to increase fees and charges for consenting activities under the Resource Management Act or Building Act, and for any fees and charges set under by-laws (i.e. Waterways), will require a separate dedicated report to Council and provides for a second formal opportunity to consult with ratepayers.

### **CONSULTATION - INTERESTED OR AFFECTED PERSONS**

The proposed changes to the Rates system or Revenue and Financing Policy will be incorporated into the Consultation Document for 2016/17 which is subject to public consultation. The proposals to increase fees and charges for consenting activities under the Resource Management Act or Building Act, and for any fees and charges set under by-laws (i.e. Waterways), will require use of the special consultative procedure. This will occur at a subsequent Council meeting.

### **RELEVANT COUNCIL POLICIES**

The following policy documents have been considered in the preparation of this report:

- The Revenue and Financing Policy (2012-22 LTP)
- Funding Impact Statement (2012-22 LTP)

### **REVIEW PROCESS**

From the outset, the importance of maintaining a structured approach to the review was recognised. For this reason, the review commenced with an overview of the current system

including the statutory framework and the relationship between the Revenue and Financing Policy and the Rating system.

The Revenue and Financing Policy indicates which funding tools are most appropriate for any given activity. Most of the focus for this part of the review was on those activities where funding targets are not being met. This is the first review since the amalgamation of Lakes Environmental and Lakes Leisure with QLDC in 2013/14.

The following activities have been reviewed in detail:

- Animal Control
- By-Law Enforcement
- Environmental Health
- Alcohol Licensing
- Waterways Facilities
- Waterways Control
- Building Control
- Resource Consents
- Aquatics

Generally, the review has resulted in changes to funding targets with some fee increases proposed for Animal Control (including dog registration); Environmental Health (including charges for food premises); Waterways; Resource Consents (including a review of staff charge out rates) and Aquatics (including pool charges).

From here, the following rates issues were considered:

- Rating of Residential Flats
- EECA proposal for Voluntary Targeted Rate for Residential insulation
- Rating of Land zoned for development but used as Primary Industry

These issues have arisen as a result of public submissions in the past 4 years or as a result of political concern. In summary, the report recommends a change in policy for the application of fixed charge rates on Residential Flats which will result in a reduction in rates for these properties. The report does not recommend the introduction of a Voluntary Targeted Rate for Residential insulation until the demand for this type of tool is better understood.

The report recommends a change in policy for the application of rates on Land zoned for development but used as Primary Industry, which will result in an increase in rates for these properties. These properties will be rated according to the underlying zoning rather than the current use (i.e. farming).

Finally, it has been necessary to evaluate the impacts of any proposed changes by recalculating the 2015/16 rates using the new proposals.

## **PROPOSED CHANGES TO THE QLDC FUNDING/RATING SYSTEM**

### **Guiding Principles**

The guiding principles that were adopted during previous reviews were endorsed:

- ♦ equity, i.e. as far as possible the system should be fair to all ratepayers.
- ♦ transparency, i.e. the system should be able to be understood by ratepayers and all activities within it should be clear for all to observe.

- ◆ enforceability, i.e. the system should be administratively simple to operate and able to be complied with,
- ◆ The rating system should deliver allocations of costs that are justifiable.
- ◆ Those who benefit from QLDC services (including secondary beneficiaries) should contribute to costs.
- ◆ The rating system should be consistent with QLDC's objectives, so that desired outcomes are complemented or advanced.

## **Revenue and Financing Policy**

Section 102 (2) of the Local Government Act 2002 requires each Council to adopt a Revenue and Financing Policy.

Section 103 outlines that this Policy must state the Council's policies in respect of the funding of both operating expenses and capital expenditure from listed sources, with the sources as outlined in section 103(2) being:

- a) *General rates including:*
  - (i) *choice of valuation system; and*
  - (ii) *differential rating; and*
  - (iii) *uniform annual general charges;*
- b) *targeted rates;*
- ba) *lump sum contributions;*
- c) *fees and charges;*
- d) *interests and dividends from investments;*
- e) *borrowing;*
- f) *proceeds from asset sales;*
- g) *development contributions;*
- h) *financial contributions under the Resource Management Act 1991;*
- i) *grants and subsidies;*
- j) *any other source.*

Section 101 (3) (b) states that in identifying the appropriate sources Council must consider the overall impact of any allocation of liability for revenue needs on the community. Council must also consider with regards to each activity to be funded:

- a) *the community outcomes to which the activity primarily contributes; and*
- b) *the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and*
- c) *the period in or over which those benefits are expected to occur; and*
- d) *the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and*
- e) *the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.*

## **Revenue and Financing Policy: Funding Issues**

A number of issues relating to the Revenue and Financing Policy in relation to the funding of particular activities were investigated. Most of the focus for this part of the review was on those activities where funding targets are not being met. This is the first review since the amalgamation of Lakes Environmental and Lakes Leisure with QLDC in 2013/14.

The following activities have been reviewed in detail:

- Animal Control
- By-Law Enforcement
- Environmental Health
- Alcohol Licensing
- Waterways Facilities
- Waterways Control
- Building Control
- Resource Consents
- Aquatics

### **Animal Control**

This activity deals primarily with the control of dogs in the district. The numbers of dogs and dog related complaints and incidents have increased over recent years. The annual cost associated with the activity is around \$423k per annum. The current private funding target is 55% with a forecast recovery of 57% from user fees for 2015/16.

The recommendation is to adjust the funding target to reflect an increased recovery from dog owners. The proposed private funding target has increased to 70% (up from 55%). The expected impact of the change is an increase in user charge revenue of around 30% (\$72k). If adopted, this will result in an increase to most current dog registration and impounding fees.

The proposed fees for 2016/17 are included in appendix A (attached). For example, the registration fee for a de-sexed pet dog (inclusive of available discounts) will rise from \$50 to \$55 (increase of 10%).

The level of increase in the proposed fees varies to reflect the service demands regarding dog control. For example, there are very few issues relating to working dogs, however, there are considerable demands from roaming whole dogs (not de-sexed), which are causing problems in our community such as attacks and getting into rubbish. The draft Annual Plan budget for 2016/17 includes a proposed increase in resourcing for this activity (up 0.5 FTE) due to the increase in activity (roaming dogs & dog attacks).

### **By-law and General Enforcement**

This activity deals primarily with the enforcement of consent conditions and by-laws in the district. The largest impact on this activity in recent years has been the introduction and enforcement of freedom camping rules. The annual cost associated with the activity is around \$718k per annum. The current private funding target is 30% with a forecast recovery of 39% from infringements and user fees for 2015/16.

The recommendation is to adjust the funding target to reflect the current recovery from freedom camping infringements. The proposed private funding target has increased to 40% (up from 30%). The expected impact of the change is that the revised target will be met if the collectability of freedom camping infringements is improved by 30%. This will result in a continuation of the initiatives to ensure that freedom camping fines are paid before overseas

offenders leave the country. It is recognised that if enforcement activities result in increased compliance, then revenue (from infringements) will decrease and the increased funding target will not be met.

### Environmental Health

This activity deals primarily with the inspection and licensing of registered premises in the district. The introduction of new Food Act 2014 (from 1<sup>st</sup> March 2016) will have a significant impact on this activity as business owners are required to comply with the new rules. The annual cost associated with the activity is around \$501k per annum.

The current economic benefit assessment is as follows: Private 45%; Public 50% and Exacerbator 5%. The proposed change reflects a higher private benefit to the business operator and a higher exacerbator factor which reflects the time and cost incurred in following up on non-compliance. The proposed economic benefit assessment is as follows: Private 60%; Public 30% and Exacerbator 10%.

The current private funding target is 50% with a forecast recovery of 38% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect an increased recovery from the owners of registered premises. The proposed private funding target has increased to 70% (up from 50%).

The expected impact of the change is an increase in user charge revenue of 75% (\$147k). If adopted, this will result in an increase to most current premises registration, inspection and auditing fees. The proposed fees for 2016/17 are included in appendix A (attached). For example, the verification fee for a food premise will rise from 26% to 155% depending on the size and category of the business.

The new fees reflect the estimated time spent by officers to administer the new legislation and take into account the additional time required to be spent in larger premises or with those not complying with the rules.

The draft Annual Plan budget for 2016/17 includes a proposed change to FTE allocation for this activity; up to 2.4 (up from 1.75 in the LTP) to reflect the actual time utilisation of the 3 existing Environmental Health Officers.

### Alcohol Licensing

This activity deals primarily with the inspection, monitoring and licensing of premises selling alcohol in the district. The introduction of new legislation has had a significant impact on this activity as business owners are required to comply with the new rules. The annual cost associated with the activity is around \$670k per annum. The current economic benefit assessment is as follows: Private 50%; Public 25% and Exacerbator 25%. The proposed change reflects a higher private benefit to the business operator and a slightly lower exacerbator factor which reflects the time and cost incurred in assisting licensees with their legal obligations; the application process; information to be provided and following up on non-compliance. The proposed economic benefit assessment is as follows: Private 60%; Public 30% and Exacerbator 10%.

The current private funding target is 60% with a forecast recovery of 85% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect the existing levels of recovery from the applicants. The proposed private funding target has increased to 70% (up from 60%). There is no expected impact on current user charge revenue as a result of the change.

The draft Annual Plan budget for 2016/17 includes a proposed increase in resourcing for this activity (up 2.0 FTE) due to the increasing workload. This will ensure that service levels are

improved and that QLDC meets all of its statutory obligations in this area. There is no impact on user charges as these changes can be funded from existing revenue.

The draft Annual Plan budget for 2016/17 also includes a proposed change to FTE allocation for this activity; to 0.6 (down from 1.25 in the LTP) to reflect the actual time utilisation of the 3 existing Environmental Health Officers.

### Waterways Facilities

This activity deals primarily with the provision, and maintenance of Council owned waterways assets (ramps, jetties, marinas) in the district. The current private funding target is 40% with a forecast recovery of 17% from user fees for 2015/16.

The recommendation is to investigate the introduction of a broader based "waterways fee" for all users of waterways assets (ramps, jetties, navigation aids etc.). This will require a change to regulations to allow infringements to be issued for non-compliance. The expected impact of such a change is to increase revenue by 235% (\$56k).

### Waterways Control

This activity deals primarily with the promotion and enforcement of safe use of the waterways in the district. The annual cost associated with the activity is around \$410k per annum. The current private funding target is 35% with a forecast recovery of 29% from user fees for 2015/16.

The recommendation is to review the fees set under the by-law to provide greater simplicity and to return to an annual fee regime. The expected impact of such a change is to increase revenue by 20% (\$24k).

### Building Control

This activity deals with all aspects of the building consent process, including the processing of applications; public enquiries; issuing consents and the inspection of building works in the district. The annual cost associated with the activity is around \$3.06m per annum.

The current economic benefit assessment is as follows: Private 90%; Public 5% and Exacerbator 5%. The proposed change reflects a lower private benefit to the applicant and a higher exacerbator factor which reflects the time and cost incurred in managing weather-tightness claims. The proposed economic benefit assessment is as follows: Private 80%; Public 5% and Exacerbator 15%.

The current private funding target is 95% with a forecast recovery of 81% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect the existing levels of recovery from the applicants. The proposed private funding target has decreased to 80% (down from 90%). There is no expected impact on current user charge revenue as a result of the change.

### Resource Consent Administration

This activity deals with all aspects of the resource consent process, including the processing of applications; public enquiries; issuing and monitoring of consents. The annual cost associated with the activity is around \$4.26m per annum. The current economic benefit assessment is as follows: Private 90%; Public 10% and Exacerbator 0%. The proposed change reflects a lower private benefit to the applicant and a higher public factor which reflects

the time and cost incurred in managing appeals and objections. The proposed economic benefit assessment is as follows: Private 80%; Public 20% and Exacerbator 0%.

The current private funding target is 90% with a forecast recovery of 64% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect a lower percentage recovery from user fees. The proposed private funding target has decreased to 80% (down from 90%). However, the current actual recovery percentage is only 64%. In order to achieve 80% recovery, a review of internal processes for recovering costs will be necessary. This will include a review of current fees and charges (including charge-out rates) and a review of the system for managing the cost of public enquiries.

The expected impact of the change is an increase in user charge revenue of 24% (\$660k). If adopted, this will result in an increase in the cost of most resource consent applications. The proposed charge-out rates and other charges made under the Resource Management Act will be considered by Council at the 28 April meeting. Any proposal to change these fees will require the special consultative procedure.

### Aquatics

This activity deals with the provision of indoor aquatic centres in the district. The annual cost associated with Alpine Aqualand is around \$2.69m per annum. The current private funding target is 60% with a forecast recovery of 53% from user fees for 2015/16.

The recommendation is to retain the funding target and to review admission charges in order to meet the 60% cost recovery. The expected impact of the change is an increase in user charge revenue of 13% (\$136k).

If adopted, this will result in an increase to some aquatic user fees. The proposed fees for 2016/17 are included in appendix A (attached). The proposed changes to some aquatic user fees have been recommended as a result of benchmarking our current fees to those in other districts. The existing \$2.00 fee for use of the hydro-slide for example is well below most other centres.

## **FIXED CHARGE RATES FOR RESIDENTIAL FLATS**

### Background

As part of the review process the working party considered rating issues raised through the submission process for the LTP and Annual Plans since 2012. There were a number of submissions relating to the current policy as regards the application of fixed charge rates to residential flats.

The common theme of these submissions is that it is not equitable to apply fixed charge rates at the full rate to residential flats. It is suggested that the policy should provide recognition of the following:

- Residential flats are smaller than dwellings (less demand on services)
- There is a shortage of rental accommodation and residential flats could ease the problem
- The current rating policy is a disincentive to residential flats because its application means that a residential flat will pay more than the same space used for visitor accommodation (through Mixed Use rates).



Fixed Charge Rates are applied on the basis of each “separately used or inhabited part” (SUIP) of a rating unit and each Council is required to have its own policy position as to how this applies. The current QLDC position is as follows:

### **Definition of “Separately Used or Inhabited Parts of a Rating Unit”**

Where rates are calculated on each separately used or inhabited part of a rating unit, the following definitions will apply:

- Any part of a rating unit that is used or occupied by any person, other than the ratepayer, having a right to use or inhabit that part by virtue of a tenancy, lease, licence, or other agreement.
- Any part or parts of a rating unit that is used or occupied by the ratepayer for more than one single use.

The following are considered to be separately used parts of a rating unit:

- Individual flats or apartments
- Separately leased commercial areas which are leased on a rating unit basis
- Vacant rating units
- Single rating units which contain multiple uses such as a shop with a dwelling or commercial activity with a dwelling
- A residential building or part of a residential building that is used, or can be used as an independent residence.

An independent residence is defined as a liveable space with its own kitchen, living and toilet/bathroom/laundry facilities that can be deemed to be a secondary unit to the main residence. Note: the definition of a kitchen comes from the District Plan.

The following are not considered to be separately used parts of a rating unit:

- A residential sleep-out or granny flat that does not meet the definition of an independent residence
- A hotel room with or without kitchen facilities
- A motel room with or without kitchen facilities
- Individual storage garages/sheds/portioned areas of a warehouse
- Individual offices or premises of business partners.

#### **District Plan definition of a Kitchen:**

Means any space, facilities and surfaces for the storage, rinsing preparation and/or cooking food, the washing of utensils and the disposal of waste water, including a food preparation bench, sink, oven, stove, hot-plate or separate hob, refrigerator, dish-washer and other kitchen appliances.

Clearly, residential flats are a SUIP under the policy and as such receive a full set of fixed charge rates at the full residential rate. The following rates are charged on a fixed amount basis:

Uniform Annual General Charge	\$86.00
Sports, Halls & Libraries Annual Charge	\$324.00
Governance & Regulatory Charge	\$71.00
Recreation & Events Charge	\$157.00
Waste Management Charge	\$136.00
Aquatic Centre Charge	\$95.00 (Wakatipu/Arrowtown only)
Water Supply Charge	\$180.00 to \$750.00 (depending on location)
Sewerage Charge	\$370.00 to \$650.00 (depending on location)

This means that for any dwelling in Queenstown, the total fixed charge rates amount to \$1,509 per annum. For a property with a median value of around \$670,000, fixed charge rates make up 60% of the total rates paid for the property (\$2,497).

If this same property included a residential flat, the total rates payable would increase by \$1,509 per annum to \$4,006; an increase of over 60%. If this same property with a flat, was registered as homestay, the total rates payable (as mixed use) would increase by \$700 per annum to \$3,197; an increase of 28%.

There is a clear inequity with regard to the relative rates payable between the two uses. In order to eliminate the discrepancy, it is proposed that a differential be introduced for a new rating category: Dwelling plus Residential Flat. The differential will apply to the following rate types:

Sports, Halls & Libraries Annual Charge	x1.4
Governance & Regulatory Charge	x1.4
Recreation & Events Charge	x1.4
Waste Management Charge	x1.4
Aquatic Centre Charge	x1.4

This effectively means that the Residential flat is charged at the rate of 40% of a dwelling for these differentially set targeted rates. The justification for this lies in the proportional use of services applicable to an average flat. The relative size of a residential flat to an average dwelling suggests a factor of 0.3 to 0.6 is appropriate.

The UAGC must be charged in full to each SUIP and it is recommended to use the existing 50% charges available for Water and Sewerage.

The impact of this proposal will be to reduce rates for dwellings with residential flats by around 20%. Using the example above, the revised rates will be \$3,178 (down from \$4,006) which is a decrease of 20.6%. This revised amount is also slightly less than the amount paid under mixed use (Homestay – short term).

The impact of the proposal will result in a transfer of rates incidence away from Residential Flats and to all other rating categories. It is expected that approximately \$140,000 of rates will need to be re-allocated. This will have a minor impact with Residential ratepayers picking up an additional \$15-20 per year per property, for example.

### **VOLUNTARY TARGETED RATE (EECA)**

QLDC received a submission from the Energy Efficiency and Conservation Authority (EECA) requesting that QLDC consider the introduction of a Voluntary Targeted Rate (VTR) to support the greater uptake of energy efficiency measures such as insulation or heating.

The matter was deferred to the Funding Review process for consideration. There are 11 other councils who have adopted VTR schemes. Most of these did so in conjunction with the central government scheme “Warm up New Zealand” which targeted assistance to low income homes from 2009 to 2013.

The VTR scheme is designed to be cost neutral to councils. Insulation is only provided to individual ratepayers who request it and who are willing to pay back the cost over a 9 to 10 year period. Typically, councils will set a cap on the amount of funding available each year and also on the amount each household can obtain as a VTR.

The panel supported the concept of the VTR but were concerned that there may not be the demand for such a scheme within the district. This is due to the cessation of the central government grant programme in 2013 and also due to the recent introduction of the joint initiative between the Central Lakes Trust and EECA to improve insulation in homes built before 2000 worth \$300,000.

The introduction of a Voluntary Targeted Rate for Residential insulation is not recommended at this stage until the demand for this type of tool is better understood.

### **RATING OF UNDEVELOPED LAND WITH ZONING**

The working party has also considered the rating of undeveloped land which is zoned for development. There are numerous examples around the district where rates are applied to the property on the basis of current use (i.e. Primary Industry) but the property has an underlying zoning which supports development.

The rating legislation certainly allows QLDC to differentiate on the basis of existing or proposed zoning (Schedule 2 Local Government (Rating) Act 2002). The objective of any proposal to rate on the basis of zoning rather than current usage will need to be explicit. The following issues were discussed:

- a) Encouraging release of zoned land
- b) Promoting affordability
- c) Recovering “holding costs” incurred by QLDC in relation to infrastructure planning and provision.
- d) Deterring “land banking” by land owners
- e) Avoiding expensive plan changes to enable development elsewhere

The simplest way of introducing this proposed change is to amend the current rating category known as Vacant Sections. The differential description as it appears in QLDC’s Funding Impact Statement is as follows:

#### **3. Vacant Sections (Existing)**

*All rating units which are vacant properties and suitable for development.*

The key phrases to this definition are “vacant properties” and “suitable for development”. This has meant that this definition applies quite narrowly to land that has been subdivided but sits passively awaiting development or sale by the owner. In order to include all undeveloped land which has zoning allowing development, the following definition would apply:

#### **3. Vacant Sections/Zoned Land (Proposed)**

*All rating units which are vacant properties and suitable for development or land zoned for development but used as Primary Industry.*

This approach would rate the land with zoning on the same basis as Vacant Sections. This includes higher differentials for most targeted rates. The impact on properties currently rated as Primary Industry would see the rates increase by 43 to 154% depending on location and connection of services. The average increase for the 11 properties modelled was 86% (total increase of 132k).

If this proposal were to be introduced, the definition of Primary Industry would need to be amended to exclude land with zoning for development.

#### **8. Primary Industry (Proposed)**

*All rating units:*

- *Used exclusively or principally for agricultural or horticultural purposes including dairying, stock fattening, arable farming, share sheep, market gardens, vineyards, orchards, specialist livestock, forestry or other similar uses, or*
- *Which are ten hectares or more in area and located in any of the Rural or Special Zones contained in the Queenstown Lakes District Council's District Plan as at 1 July of the current rating year.*
- *But excluding all properties used as Primary Industry but rated under Category 3 Vacant Sections/Zoned Land.*

However, there are some administration issues with this proposal. The main one relates to the mismatch that often exists between cadastral boundaries and zoning areas. This means that the existing rating unit will often comprise more than one zone. In order to set rates on the zoning, a series of rating divisions or apportionments will be necessary.

### **EFFECTS OF PROPOSED CHANGES TO THE QLDC RATING SYSTEM**

The proposed changes to the Revenue and Financing Policy will result in some changes to fees and charges for 2016/17.

There are revenue increases proposed in the draft budget for the Annual Plan 2016/17 for the following activities: Animal Control (including dog registration) of \$72k (30%); Environmental Health (including charges for food premises) of \$147k (75%); Waterways \$24k (20%); Resource Consents (including a review of staff charge out rates) \$660k (24%) and Aquatics (including pool charges) \$136k (13%).

The following rates issues were considered:

- Rating of Residential Flats
- EECA proposal for Voluntary Targeted Rate for Residential insulation
- Rating of Land Zoned for development but used as Primary Industry

The impact of the proposed changes to rating policy will have a minor impact on rating incidence overall because there are relatively few properties affected. There are just over 200 properties which potentially include a residential flat and which could benefit from the proposal to reduce the incidence of fixed charge rates. If implemented, the negative rate impact on other properties will be minor (i.e. an additional \$15 to \$20 per annum for residential properties).

There are estimated to be fewer than 20 properties which are currently rated as Primary Industry but are zoned for development and which will be impacted by the proposal to rate by zoning instead of usage. If implemented, the positive rate impact on other properties will be minor (i.e. a reduction of \$1 to \$2 per annum for residential properties).

## Appendix A – Proposed Fees for 2016/17

### Animal Control

#### *Annual Dog Registration Fees \*CURRENT\**

Category	Standard Fee (incl GST)	Effective Fencing Reduction	Positive History Reduction	Potential Discounted Fee
Guide/ Companion Dog	Nil	-	-	-
Working Dog	\$35	\$3	\$2	\$30
De-sexed Dog	\$60	\$6	\$4	\$50
Dangerous/ Menacing Dog	\$165	\$10	\$10	\$145
All Other Dogs	\$68	\$4	\$4	\$60

#### *Annual Dog Registration Fees \*PROPOSED\**

Category	Standard Fee (incl GST)	Effective Fencing Reduction	Positive History Reduction	Potential Discounted Fee
Guide/ Companion Dog	Nil	-	-	-
Working Dog	\$70	\$20	\$20	\$30
De-sexed Dog	\$115	\$30	\$30	\$55
Dangerous/ Menacing Dog	\$245	\$40	\$40	\$165
All Other Dogs	\$155	\$40	\$40	\$75

#### *Overall Annual Dog Registration Fee Increase (using Discounted Fee)*

Category	Proposed Increase
Guide/Companion Dog	0%
Working Dog	0%
De-sexed Dog	10%
Dangerous/Menacing Dog	14%
All other Dogs	25%

The proposed fees reflect the changes as per the Revenue and Financing Policy which indicates an increase in user charge revenue to compensate for the increase in dog related complaints and incidents in recent years.

### *Impounding Fees (incl GST)*

	1 <sup>st</sup> Occurrence	2 <sup>nd</sup> Occurrence	3 <sup>rd</sup> Occurrence
<b>Current Fee</b>	\$100	\$160	\$240
<b>Proposed Fee</b>	\$125	\$200	\$300
<b>Proposed Increase</b>	25%	25%	25%

Impounding fees are direct costs to the user on a graduated increase for roaming dogs that are collected. The issue of roaming dogs remains the largest animal related issue in our community, therefore this increase is intended to promote self-compliance by dog owners.

### **Environmental Health**

#### *Registration Fees \*CURRENT\* (incl GST)*

Business Size / Risk Category	Category A	Category B	Category C	Category D
<b>Level 1</b>	\$285	\$315	\$355	\$405
<b>Level 2</b>	\$320	\$350	\$390	\$440
<b>Level 3</b>	\$375	\$405	\$445	\$495
<b>Level 4</b>	\$485	\$515	\$555	\$605

Food Control Plans      \$350 flat rate (incl GST)

#### *Verification Fees \*PROPOSED\* (incl GST)*

Business Size / Risk Category	Category A	Category B	Category C	Category D
<b>Level 1</b>	\$360	\$540	\$720	\$900
<b>Level 2</b>	\$540	\$720	\$900	\$1080
<b>Level 3</b>	\$720	\$900	\$1080	\$1260
<b>Level 4</b>	\$900	\$1080	\$1260	\$1440

### *Food Control Plans and National Programmes*

Registration is a straightforward administrative task therefore it is proposed that registration is free to encourage self-compliance. A new \$450 infringement for not registering will apply as set by statute.

### *Proposed Increase*

<b>Business Size / Risk Category</b>	<b>Category A</b>	<b>Category B</b>	<b>Category C</b>	<b>Category D</b>
<b>Level 1</b>	26%	71%	103%	122%
<b>Level 2</b>	69%	105%	131%	145%
<b>Level 3</b>	92%	122%	143%	155%
<b>Level 4</b>	86%	110%	127%	138%

The proposed fees incorporate the changes required by the Revenue and Financing Policy and reflect the time to undertake an audit of a food business, which is dependent on the size of the operation and the level of risk associated with the food being prepared.

The business size classifications are outlined below:

- Level 1 – Small business (National Programme 1)
- Level 2 – Medium size business (National Programme 2 or 3)
- Level 3 – Large size business (Food Control Plan)
- Level 4 – Very large business (Food Control Plan)

### *New Premises Fees (incl GST)*

<b>Level</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Level 1</b>	\$615	\$720	17%
<b>Level 2</b>	\$650	\$900	38%
<b>Level 3</b>	\$705	\$1080	53%
<b>Level 4</b>	\$815	\$1260	55%

The proposed fees reflect the time to assist and process new operators pursuant to the Food Act 2014 which came into effect on 1 March 2016.

### **Aquatics**

#### *Casual Fees (incl GST)*

<b>Category</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Adult</b>	\$8.00	\$8.00	0%
<b>Child</b>	\$3.00	\$4.00	33%
<b>Beneficiary/Senior</b>	\$4.50	\$4.50	0%
<b>Hydroslide</b>	\$2.00	\$5.00	150%

#### *3 Months Pre-Paid (incl GST)*

<b>Category</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Adult</b>	\$129	\$169	31%
<b>Child</b>	\$49	\$59	20%
<b>Beneficiary/Senior</b>	\$59	\$79	34%

*6 Months Pre-Paid (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$219	\$270	23%
Child	\$89	\$109	22%
Beneficiary/Senior	\$109	\$129	18%
Family	\$399	\$429	8%

*12 Months Pre-Paid (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$329	\$399	21%
Child	\$139	\$179	29%
Beneficiary/Senior	\$169	\$209	24%
Family	\$659	\$709	7%

*6 Month Direct Debit (monthly fee) (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$9.00	\$11.00	22%
Child	\$4.00	\$5.00	25%
Beneficiary/Senior	\$5.00	\$6.00	20%
Family	\$16.50	\$19.00	15%

*12 Month Direct Debit (monthly fee) (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$7.00	\$9.00	29%
Child	\$3.00	\$4.00	33%
Beneficiary/Senior	\$3.50	\$4.50	29%
Family	\$13.50	\$16.00	19%

The proposed fees reflect the changes as per the Revenue and Financing Policy which indicates an increase in user charge revenue via admission charges in order to meet the existing funding target.





"B"

New Zealand Legislation

# Local Government (Rating) Act 2002

• with search matches highlighted

## Schedule 2

ss 14, 17

### Matters that may be used to define categories of rateable land

- 1 The use to which the land is put.
- 2 The activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative district plan or regional plan under the Resource Management Act 1991.
- 3 The activities that are proposed to be permitted, controlled, or discretionary activities, and the proposed rules for the area in which the land is situated under a proposed district plan or proposed regional plan under the Resource Management Act 1991, but only if—
  - (a) no submissions in opposition have been made under clause 6 of Schedule 1 of that Act on those proposed activities or rules, and the time for making submissions has expired; or
  - (b) all submissions in opposition, and any appeals, have been determined, withdrawn, or dismissed.
- 4 The area of land within each rating unit.
- 5 The provision or availability to the land of a service provided by, or on behalf of, the local authority.
- 6 Where the land is situated.
- 7 The annual value of the land.
- 8 The capital value of the land.
- 9 The land value of the land.

# DARBY PLANNING LIMITED (FOR SERVERAL ENTITIES) HILL, ROSIE

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## REVENUE AND FINANCING POLICY

Please see attached document

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## RATING POLICY

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## DEVELOPMENT CONTRIBUTION POLICY

## Submission on Queenstown Lakes District Council Annual Plan 2016-17

**To:** **Queenstown Lakes District Council**  
PO Box 50072  
Queenstown 9348

**Name of Submitter:** **Darby Planning Limited (on behalf of various separate entities as described below)**  
(c/- Warwick Goldsmith / Rosie Hill)  
Mobile: 021 220 8824  
E: warwick.goldsmith@andersonlloyd.co.nz / rosie.hill@andersonlloyd.co.nz  
Postal address: PO Box 201, Queenstown 9348

### 1. **Introduction**

- 1.1 This is a submission on behalf of various entities associated with Darby Planning Limited ("**DPL Entities**") on the Queenstown Lakes District Council ("**Council**") Draft Annual Plan 2016-17 consultation document ("**Draft Annual Plan**"). To avoid duplication, the submissions on behalf of each separate entity are combined in this one document. However each separate entity detailed below should be treated as having lodged its own separate submission.
- 1.2 The DPL Entities own a number of rating units within the Queenstown Lakes District. These units include land currently zoned as Rural, Rural Residential, Rural Lifestyle, Ski Area Subzones and Special Zones. In each case the land is either over 10ha total or is being kept in a pastoral state, and may fall within the amended definitions of Vacant Sections and Primary Industries. Further descriptions of the separate land ownerships, and the nature of their use/ intended use, are detailed below.
- 1.3 The specific issues of the Draft Annual Plan which this submission relates to are the proposed changes to the differential rating system used by the Council and as identified in its Funding Impact Statement.
- 1.4 This submission has been structured in two sections:
  - Specific submissions for areas of land owned by the DPL Entities;
  - General submission on behalf of the DPL Entities.

### 2. **Specific Submission: Mt Christina Limited ("MCL")**

#### 2.1 MCL's submission is as follows:

- (a) MCL owns land alongside the Glenorchy- Paradise Road, approximately 440 m south of Lovers Leap Road and 12 km north of Glenorchy Township. Its land has been identified within the Rural Residential and Rural Zone under the PDP. It has the same zoning under the ODP. The land to which the submission relates to land contained within a single title, legally described as Lot 1 –2 DP 395145 and Section 2 SO Plan 404113, being 28.86 hectares in area and contained within Computer Freehold Register 455423.
- (b) MCL owns land zoned Rural Residential ("**RR**") and holds approved resource consent for the subdivision of the site into 26 rural living allotments located within the rural residential zone and partly within the rural general zone. That original subdivision consent RM050144 has been since varied and implemented in part with an extension given to the lapsing date, to now lapse on 9 May 2017.

- (c) MCL's RR zoned land has no relevance to the provision of affordable housing and the increase in housing supply. The Mt Christina development will be aimed at the market for rural living which is not an entry level housing market. MCL's land will be developed if and when MCL considers that the market is appropriate for RR development in that relatively isolated location.
- (d) MCL considers that it is entirely inappropriate that the Council should seek to force MCL to develop before MCL wishes to develop. This action by the Council will not achieve its intended objectives and will merely cost MCL more money without MCL receiving any benefit.

2.2 MCL comments on the Council's five intended objectives, as they relate to MCL's land.

*Encouraging release of zoned land*

2.3 The proposed increase in rates will not provide any encouragement to MCL to release this zoned land onto the market. MCL will release the land when MCL considers that the market is appropriate.

*Promoting affordability*

2.4 The proposed rating increase will not do anything to promote affordability of housing in this remote location.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

2.5 QLDC has not incurred any holding costs in relation to infrastructure of the MCL land. MCL will be responsible for installing all infrastructure.

*Deterring "landbanking" by landowners*

2.6 The proposed rating increase will not have any effect on MCL's decision as to when to develop and sell its land.

*Avoiding expensive plan changes to enable development elsewhere*

2.7 MCL cannot see how the proposed rating increase will assist Council to avoid expensive plan changes, even assuming Council would promote public plan changes to enable Rural Residential living (which MCL considers to be unlikely).

2.8 **Relief Requested** – MCL requests the following relief arising from matters detailed in this Submission:

- (a) That the proposed differential rating amendments which will apply to MCL's land be abandoned; **OR**
- (b) That the proposed rating amendments not apply to land zoned Rural Residential.

3. **Specific Submission: Lake Hayes Limited ("LHL")**

3.1 LHL's submission is as follows:

- (a) LHL owns land at 270 Arrowtown Lake Hayes Road, located on the south eastern corner of Arrowtown Lakes Hayes Road and Hogans Gully Road. LHL's land is zoned Rural Lifestyle under the ODP and Rural Lifestyle ("RL") under the PDP. The Land is currently rated as Primary Industries. The land to which the submission relates includes four titles, legally described as follows:

Lot 101 DP 314349, being 18.8282 ha in area and contained within Computer Freehold Register 56913;

Lot 1 DP 308629, being 2.1001 ha in area and contained within Computer Freehold Register 33516;

Lot 10 DP 314349, being 2.4189 ha in area and contained within Computer Freehold Register 56912; and

Lot 7 DP 308629, being 1.2213ha in area and contained within Computer Freehold Register 33518.

The overall area of the LHL land subject to this submission is approximately 24.5685 hectares.

- (b) There is future RL development potential for the land identified above which has not yet been undertaken due to a range of factors, including zoning amendments being sought through the District Plan Review to enable a broader range of contemplated activities in the zone which will allow for greater community, social, and economic benefits.

- 3.2 LHL comments on the Council's five intended objectives, as they relate to LHL's land.

*Encouraging release of zoned land*

- 3.3 The proposed increase in rates will not provide any encouragement to LHL to release this zoned land onto the market. LHL will release the land when LHL considers that the market is appropriate and when it has certainty as to its potential range of land uses through the District Plan Review.

*Promoting affordability*

- 3.4 The proposed rating system will have no impact on housing affordability of the land owned by LHL- that land is not proposed to be marketed as community or affordable housing.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

- 3.5 The Council is not currently incurring holding costs in respect of the LHL land as it is not currently serviced by significant Council infrastructure.

*Deterring "land banking" by landowners*

- 3.6 The land is not being 'banked' by DPL but rather is being held for a legitimate purpose to ensure long term master planning outcomes are achieved.

*Avoiding expensive plan changes to enable development elsewhere*

- 3.7 LHL envisages developing a commercial overlay within the Rural Lifestyle Zone through the District Plan Review process. It is not the intent of DPL to pursue this relief through a private plan change, and it is considered unlikely that such an overlay would be the subject of a private plan change adopted or accepted by Council. Any plan change related expense would be LHL's expense, not a Council expense.

- 3.8 **Relief Requested** – LHL requests the following relief arising from matters detailed in this Submission:

- (c) That the proposed differential rating amendments which will apply to LHL's land be abandoned; **OR**

(d) That the proposed rating amendments not apply to land zoned Rural Lifestyle.

4. **Specific Submission: Soho Ski Area Limited and Blackmans Creek ("Soho")**

4.1 Soho's submission is as follows:

- (a) The Soho Ski Area comprises part of the Glencoe pastoral leasehold land. Soho Ski Area Limited holds a Recreation Permit to undertake Ski Area activities on part of an adjoining freehold land parcel known as the Blackmans Creek land. The Soho Ski Area land is legally described as follows:
  - (i) Blackmans Creek freehold – Lot 1 DP 475309 and Section 5 Block I Knuckle Peak Survey District, being 885.4226 hectares in area and contained within the Computer Freehold Register identifier 654603; and
  - (ii) (Glencoe Station Pastoral Lease - Section 1, Section 3, Section 6, Section 8-9, Section 11-17 and Section 19 Block VII Kawarau Survey District, Section 4 Block X Shotover Survey District, Run 25, Run 39, Section 29- 30 and Section 7 Block X Shotover Survey District and Run 37, being 8,579 hectares in area and contained within the Computer Interest Register identifier OT386/62.
  - (iii) The above areas are subject to significant planning and infrastructure masterplans as part of ski area development to maximise the potential benefits of a range of outdoor recreation activities in the District.
- (b) The land subject to the Ski Area Subzones is 'zoned for development' and therefore appears to be caught by the proposed rating increase. That land which is not yet 'developed' is maintained as bare land due to the environment values of the land. It is not useful for productive purposes. The potential significant community benefits to be derived from these subzones outweigh the need to encourage landowners to release land when that land is not capable of supporting residential development.

4.2 Soho comments on the Council's five intended objectives, as they relate to Soho's land.

*Encouraging release of zoned land*

4.3 The land that Soho owns and operates is clearly of a special nature and reserved for a particular purpose - which is commercial recreation. The land is not intended to be developed for any other reason. The proposed rating increase would not encourage the land to be released for development. Ski field development is determined by the market, not by rates.

*Promoting affordability*

4.4 The ability for Soho to provide living and visitor accommodation opportunities is limited through the District Plan. There is not an understanding that Soho would provide affordable or residential housing on its land to increase market supply and affordability.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

4.5 Soho provides the financial basis for the infrastructure which is or will be contained on its land. The Council has not and will not incur any holding costs in relation to infrastructure for the Soho Ski Area.

*Deterring "landbanking" by landowners*

- 4.6 Soho submits that it should not be encouraged to develop its land in a way or at a rate other than that which it believes will deliver the best community and planning outcomes. The land is being held for a very specific purpose, which when developed in a comprehensive way will provide significant community and social benefits.

*Avoiding expensive plan changes to enable development elsewhere*

- 4.7 Any private plan changes in the future which would take place on the Soho land would be specific to its purpose and would be part of a broader master plan to achieve integrated development of natural and physical resources. Soho submits that such plan changes in relation to land of this special nature should be encouraged rather than deterred by Council, particularly as Soho as proponent of a private plan change would meet all of the costs under the RMA. There would be no cost to Council.
- 4.8 **Relief Requested** – Soho requests the following relief arising from matters detailed in this Submission:
- (a) That the proposed differential rating amendments which will apply to Soho's land be abandoned; **OR**
  - (b) That the definition of Vacant Section (as now amended) be further amended to exclude any Ski Area Subzone

5. **Specific Submission: Treble Cone Investments Limited ("Treble Cone")**

- 5.1 Treble Cone makes this Submission in respect of the Treble Cone Ski Area Subzone.
- 5.2 The Treble Cone Ski Area Subzone land is leased to Treble Cone on a 30 year long term lease under the Land Act from Department of Conservation land. The land is legally described as follows:
- (i) Pt Runs 333A and Part Run 334B Motatapu SD, being 770 hectares in area and contained within Computer Interest Register OT8C/243; and
  - (ii) Section 1 SO Plan 23260 and Section 2 SO Plan 22995, being 35.1577 hectares in areas and contained within Computer Interest Register OT17C/5 52.
- 5.3 The land subject to this Ski Area Subzone is 'zoned for development' and therefore appears to be caught by the proposed rating increase. That land which is not yet 'developed' is maintained in a bare or pastoral state due to the unique environment values of the land. It is not useful for productive purposes. The potential significant community benefits to be derived from these subzones outweigh the need to encourage landowners to release land when that land is not capable of supporting residential development.
- 5.4 Treble Cone comments on the Council's five intended objectives, as they relate to Treble Cone's land.

*Encouraging release of zoned land*

- 5.5 The Treble Cone land is not intended to be used for housing and residential purposes. The Treble Cone land provides significant community and recreational benefits, and although there is opportunity for further development of the land the rating changes would not encourage the land to be released for development. Ski field development is determined by the market not by rates.

*Promoting affordability*

- 5.6 The ability for Treble Cone to provide living and visitor accommodation opportunities is limited through the District Plan. There is not an understanding that Treble Cone would provide affordable or residential housing on its land to increase market supply and affordability.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

- 5.7 Treble Cone provides the financial basis for the infrastructure which is or will be contained on its land. The Council has not and will not incur any holding costs in relation to infrastructure for Treble Cone.

*Detering "landbanking" by landowners*

- 5.8 Treble Cone is held in leasehold in a long term lease from the Crown, it is therefore in the unique situation where landbanking is not possible in the long term as the lessee has limited rights of future retention.

*Avoiding expensive plan changes to enable development elsewhere*

- 5.9 Private plan changes are not envisaged within the Ski Area Sub Zone of Treble Cone other than to provide for a community and public benefit in the form of increased access and use for the public. Any such plan change would be funded by the lessee of the land. There would be no cost to Council.

- 5.10 **Relief Requested** – Treble Cone requests the following relief arising from matters detailed in this Submission:

- (c) That the proposed differential rating amendments which will apply to Treble Cone's land be abandoned; **OR**
- (d) That the definition of Vacant Section (as now amended) be further amended to exclude any Ski Area Subzone.

6. **Specific Submission: Glendhu Holdings Limited ("GHL")**

- 6.1 The GHL submission is as follows;

- 6.2 The GHL land to which the submission relates is contained within four certificates of title, legally described as:

Lot 2, 9-11 Deposited Plan 457489, being 187.6434 ha in area and contained within Computer Freehold Register identifier 602575, and owned by Glendhu Station Preserve Limited;

Lot 1, 3 Deposited Plan 457489, being 15.5715 ha in area and contained within Computer Freehold Register identifier 602576, and owned by Glendhu Holdings Limited;

Lot 4-5 Deposited Plan 457489, being 44.2105ha in area and contained within Computer Freehold Register identifier 602577, and owned by Glendhu Holdings Limited;

Lot 6-8 Deposited Plan 457489 and Section 1-2, 19, 18, 22-23 SO Plan 347712, being 2588.5685 ha in area and contained within Computer Freehold Register identifier 602578, and owned by Glendhu Holdings Limited.



- 6.3 The combined area of the land subject to this submission is approximately 2834 hectares and is zoned Rural under the PDP, and the same under the ODP.
- 6.4 Following an Environment Court hearing in 2012, consent for development of a golf course and associated visitor and residential accommodation was granted. Further preliminary consents have been also sought to amend conditions to adjust aspects of the staging of the land use consent above and the layout of the proposed golf course.
- 6.5 These amendments take time and although progress is being made toward development, there is ongoing work in ensuring a comprehensive designed outcome is achieved. Four years since the initial grant of consent to develop is not a significant period of time for such a major project.
- 6.6 The GHL land is subject to a rezoning request under the PDP. If such rezoning is approved, the land will be 'zoned for development' and therefore may become subject to the definition change in Vacant Sections.
- 6.7 GHL comments on the Council's five intended objectives, as they relate to GHL's land.

*Encouraging release of zoned land*

- 6.8 The land that GHL owns has gone through significant planning and design which has been developed through significant public input and litigation. The land is held for a unique and special purpose which will provide community and recreation benefits once developed. Rates will not be a relevant factor in any development decisions relating to the GHL land. Therefore the rating increase will not encourage the release of land for development.

*Promoting affordability*

- 6.9 The GHL land is aimed at a niche market within the District with top end accommodation and facilities in the form of an international golfcourse and other infrastructure. The GHL land will not be aimed at entry level housing or an 'affordable' market for individual purchasers. The rating increase will therefore not promote affordability.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

- 6.10 QLDC has not and will not incur any holding costs in relation to infrastructure for development of the GHL land.

*Deterring "landbanking" by landowners*

- 6.11 The GHL land is not being held for an unreasonable period of time before development occurs due to the complexity of the proposal and the complexity of the consents obtained for development. Fine tuning of those consents is required to undertake development which will achieve optimum planning and design outcomes to provide for the most efficient and effective use of the GHL land resource. GHL does not consider that such a complex design approach consented in 2012 can be considered as 'landbanking' by the Council.

*Avoiding expensive plan changes to enable development elsewhere*

- 6.12 The GHL development will be a golfcourse resort. There is no possible basis to suggest that Council may incur plan change costs elsewhere because GHL develops later rather than sooner.

6.13 **Relief Requested** – GHIL requests the following relief arising from matters detailed in this Submission:

- (a) That the proposed differential rating amendments which will apply to GHIL's land be abandoned; **OR**
- (b) That the definition of Vacant Section (as now amended) be further amended to exclude recently zoned land suitable for development (for example within 10 years of that zoning becoming operative); **OR**
- (c) The amended differential only apply to residential zones serviced by Council infrastructure; **OR**
- (d) The amended differential not apply to land zoned for development of a Rural Residential or Rural Lifestyle nature (including any zoning with that character).

## 7. **Summary of General Submission**

7.1 The changes proposed by Council detailed in the Funding Impact Statement through its Annual Plan 2016-17 are **opposed** by DPL because the intended changes are fundamentally flawed. The premise of rates is to generate income for local authorities to provide services which are then delivered to those rating units. The changes proposed to the definitions of Vacant Sections and Primary Industries to increase income from rates levied against those units is not based upon the provision of additional or extra services to those units. The changes therefore do not serve a legitimate purpose.

7.2 The mechanism of instigating this change through the proposed definitions is problematic as it is so broad it potentially captures a huge range of properties within the District, from rural general land which is capable of obtaining discretionary consent to subdivide, to visitor accommodation subzones with controlled activity status for buildings, to residential zoned land which is yet to be built on. The Submitter assumes the latter is the only category intended to be caught by the changes, but that is not the effect of the changes.

7.3 In addition to and without derogating from the general reasons above, the Submitter opposes the changes for the following reasons:

- (a) The amendments proposed to the definitions of differential rating categories are ambiguous and do not provide certainty for ratepayers as to the rating status of land;
- (b) The amendments do not achieve the desired objectives of Council which are relied on to support the amendments;
- (c) The amendments are not in accordance with Council's Guiding Principles as cited in the Annual Plan;
- (d) This proposed differential rate is not consistent with the scheme and purpose of the Local Government Act 2002 (Schedule 10) and the Local Government (Rating) Act 2002 (Schedule 2); and
- (e) The decision to make the proposed definition changes to differential rating categories is not a fair and reasonable decision for the Council to make, and has not been made in accordance with the decision-making requirements of section 77 of the Local Government Act 2002.

## 8. **Definition/Interpretation Problems**

8.1 The proposed amendments referred to throughout this submission are the proposed definition changes to the differential rating categories known as '*Vacant Sections*' and '*Primary*

*Industries'* contained within the QLDC Funding Impact Statement. The definition changes are proposed as follows (track changes have been included by the submitter as no track changes have been included in the consultation documents).

*Vacant Sections/Zoned Land (Proposed)*

*"All rating units which are vacant properties and suitable for development or land zoned for development but used as Primary Industry".*

...

*Primary Industry (Proposed)*

*"All rating units:*

- Used exclusively or principally for agricultural or horticultural purposes including dairying, stock fattening, arable farming, share sheep, market gardens, vineyards, orchards, specialist livestock, forestry or other similar uses, or*
- Which are ten hectares or more in area and located in any of the Rural or Special Zones contained in the Queenstown Lakes District Council's District Plan as at 1 July of the current rating year.*
- But excluding all properties used as Primary Industry but rated under Category 3 Vacant Sections/Zoned Land".*

8.2 The amendments identified above give rise to the following definition and interpretation problems:

- (a) All land in the district is zoned for development to a greater or lesser degree, ranging from (easy) permitted activity residential development in residential zones through to (difficult) discretionary residential activities in outstanding natural landscapes. Therefore the definition potentially catches all land.
- (b) It is unclear whether the phrase "... used as Primary Industry ..." in both amended sections quoted above is intended to capture just the first bullet point in the definition of Primary Industry or the first and second bullet points. Therefore it is unclear whether the amended provisions are just intended to apply to properties in excess of 10ha which are zoned for development, or whether they are intended to apply to all properties zoned for development regardless of size.

8.3 Given the definition and interpretation problems identified above, it is difficult to see how the Council can make the statement on page 127 of the Annual Plan that *"There are estimated to be fewer than 20 properties which are currently rated as Primary Industry but are zoned for development and which will be impacted by the proposal to rate by zoning instead of usage"*. If that statement is in fact true, then it is submitted that the amendments quoted above do not achieve that intention.

8.4 It is submitted that, at the very least:

- (1) The generic phrase *"zoned for development"* should be replaced with reference to specific zonings intended to be captured;
- (2) The amendments should be clarified as to whether the 10ha trigger applies.

**9. The amendments do not achieve the desired objectives of Council**

9.1 The Funding and Rates Review Report 2016, which appears to be the main justification for the proposed amendments to the differential rating category definitions is a high-level policy document which fails to assess actual costs and benefits of the proposed changes and lacks

real quantitative and qualitative analysis. The Report is not divided into sections and does not include page numbers, but the relevant pages of the Report are attached as "**Appendix A**". The Report does not explain how the amendments will achieve the Council's identified objectives.

*Encouraging release of zoned land*

- 9.2 There is no explanation or analysis explaining how the proposed rating increase will encourage the release of zoned land. That would only apply if the economic incentive arising from the rate increase resulted in a development decision that it is preferable to develop and sell the land rather than to continue to incur the rating costs. However the holding cost of rates is a minor factor in any overall decision as to whether to hold or develop land which is able to be developed. There is no evidence or analysis supporting a contention that the proposed rate increase has any reasonable chance of causing a change in decisions about development.

*Promoting affordability*

- 9.3 There is no evidence or analysis explaining how the proposed increase in rates will promote the affordability of housing.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

- 9.4 Land rated under the Primary Industry category is already paying rates in respect of services which that land either does not use or only uses to a minimal extent (such as roading). There is no explanation or justification as to why the existing Primary Industry rating differential does not already provide adequate reimbursement to Council for any relevant holding costs.
- 9.5 There is no analysis of the "holding costs" which are being referred to. Such "holding costs" relate primarily to infrastructure services such as sewerage and potable water supply. If those are the "holding costs" being referred to, and without taking away from the previous point, the proposed rating differential increase should be limited to land zoned for development located within rating areas where QLDC provides specific infrastructural services such as sewerage and water supply.
- 9.6 This rating change will result in undeveloped land, currently being used for Primary Industry, being levied with a stormwater rate which was not previously levied against such land. No explanation or justification for that change has been provided.

*Deterring "landbanking" by landowners*

- 9.7 The points made above under the heading "*Encouraging release of zoned land*" also apply here. There is no explanation or justification as to how the proposed rating increase will provide economic incentives sufficient to change decisions made about whether or not land should be developed.

*Avoiding expensive plan changes to enable development elsewhere*

- 9.8 No examples have been given of where the Council has incurred any cost in relation to "*expensive plan changes*" as a result of lack of availability of land for development. All recent plan changes providing for housing in particular have been private plan changes and/or public plan changes where private developers have carried the cost. The District Plan Review is an expense Council must incur regardless because of statutory requirements. No justification at all under this heading has been provided.

10. **The amendments are ambiguous and unnecessarily broad**

- 10.1 Schedule 2 of the Local Government (Rating) Act 2002 attached as ("**Appendix B**") sets out the matters that must be used to define categories of rateable land. It is not explicit in the Consultation Documents which category of Schedule 2 is being relied upon, but it is assumed to be subclause 2, given the early stages at which the Proposed District Plan is at. Sub-clause 2 is as follows;

"...

*(2) The activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative district plan or regional plan under the Resource Management Act 1991".*

- 10.2 Without further explanation of the definition change to '*Vacant Sections*', it is assumed that '*zoned for development...*' will include any land within the Operative District Plan which can be 'developed' in accordance with the permitted, controlled, and discretionary activity rules of the rating unit's underlying zone. That covers all land in the District.
- 10.3 The interpretation to be given to that definition, or its intent is not discussed within the Consultation Documents, and the submitter is concerned it will have very wide-ranging consequences. A definition of 'development' in the Local Government Act 2002 may be of assistance (as it applies to development contributions):

*"development means—*

*(a) any subdivision, building (as defined in section 8 of the Building Act 2004), land use, or work that generates a demand for reserves, network infrastructure, or community infrastructure; but*

*(b) does not include the pipes or lines of a network utility operator"*

- 10.4 The definition of '*development*' above is inherently broad and captures land use which essentially means to alter the land in a way that adds monetary value to it. Most development within the Lakes District, regardless of what underlying zoning it has, will be captured by the above definition of '*development*'.
- 10.5 The definition of '*Vacant Section*' does not appear to discern between types of development or different types of zones, therefore the definition could potentially capture everything from land with underlying commercial zoning with permitted activity status for intensive development, through to land in the Rural General Zone which has discretionary activity status for subdivision and the identification of building platforms.
- 10.6 A Rural General zoned area of land which is over 10 hectares or is currently being farmed, but which could in theory be developed through discretionary applications under the Operative Plan, would potentially be caught within the definition change but would not assist in resolving Council's identified issues such as land banking and increasing housing affordability.
- 10.7 It is assumed the Council's rating policy is not intended to catch the latter scenario and therefore the definition of Vacant Section is unnecessarily broad and ambiguous.
- 10.8 Other examples of this definition change capturing unintended rating units could include;
- (a) Land with underlying rural living development potential such as in the Rural Lifestyle and Rural Residential zones;
  - (b) Special Zones which include Ski Area Subzones/Visitor Accommodation Subzones; and

- (c) Recently zoned greenfield developments which might have a staged long-term master-planned approach to development in order to meet community and planning needs.
- 10.9 All of the above examples provide significant positive benefits to the community but are not necessarily capable of mitigating a shortage of affordable housing supply or increasing the availability of residential land for residential purposes. Any such definition change to the differential rating categories should therefore exclude the above examples so as to only capture land with appropriate zoning, such as residential zoned land with controlled or permitted activity status for residential development which is serviced by Council infrastructure.
11. **The amendments are not in accordance with the Guiding Principles**
- 11.1 The Draft Annual Plan Consultation Document, at page 121 States the following Guiding Principles are relevant in proposing changes to the funding/rating system:
- "Guiding Principles*
- The guiding principles that were adopted during previous reviews were endorsed:*
- *equity, i.e. as far as possible the system should be fair to all ratepayers.*
  - *transparency, i.e. the system should be able to be understood by ratepayers and all activities within it should be clear for all to observe.*
  - *enforceability, i.e. the system should be administratively simple to operate and able to be complied with,*
  - *The rating system should deliver allocations of costs that are justifiable.*
  - *Those who benefit from QLDC services (including secondary beneficiaries) should contribute to costs.*
  - *The rating system should be consistent with QLDC's objectives, so that desired outcomes are complemented or advanced."*
- 11.2 The proposed definition changes are not transparent and enforceable as they are inherently ambiguous. The Consultation Documents provided for public comment lack clarity and detail so as to enable the public to address concerns on the proposal. There is no explanation as to how broad the definition of Vacant Sections is intended to apply and how the wording of that definition change is intended to be interpreted.
- 11.3 As discussed in the preceding section of this submission, it is not clear how 'development' is to be construed and whether this would include all activities capable of obtaining resource consent in all zones, or whether it is intended to apply only to certain activity statuses within certain zones.
- 11.4 The definition change to Vacant Sections which might capture non-residential land is not justifiable as it does not address the issues identified by Council as sought to be remedied by this proposed change. The amendments will create an additional cost atop an already complex land development process in the District. Those landowners already are facing steady increases in costs from Council's development contributions, process charges, and increasing needs for more information as part of development.

- 11.5 Council has also identified the potential complexity and additional cost arising from the proposed definition changes at page 127 of the Draft Annual Plan Consultation Document where it is acknowledged that;

*"However, there are some administration issues with this proposal. The main one relates to the mismatch that often exists between cadastral boundaries and zoning areas. This means that the existing rating unit will often comprise more than one zone. In order to set rates on the zoning, a series of rating divisions or apportionments will be necessary"*

- 11.6 The above scenario is unacceptable where landowners may own a rating unit which contains a very small portion of land with 'zoning for development' and would face an increase in rates despite the reality that development potential of the land is very unlikely.
- 11.7 The additional rating cost does not relate to provision of any additional services. That is fundamentally contrary to at least 2 of the Guiding Principles quoted above.

## 12. **Local Government Act 2002- Rating and Annual Plan requirements**

- 12.1 It is submitted that the changes proposed to the differential rating category definitions contained within the Funding Impact Statement are inherently flawed as they do not accord with the relevant provisions of local government legislation.
- 12.2 Schedule 10 of the Local Government Act 2002 (**LGA**) sets out the mandatory and optional requirements for territorial authorities to include in long-term plans, annual plans, and annual reports. Clause 20 of Schedule 10 establishes that an annual plan must include a 'funding impact statement' for the year to which the plan relates, and describes the form and contents required for the funding impact statement. Clause 20(3) in particular states the requirements for where rates are to be set differentially as follows;

*"(3) If the sources of funding include a general rate, the funding impact statement must—*

*...*

*(c) state whether the general rate is to be set differentially and, if so,—*

*(i) the categories of rateable land, within the meaning of section 14 of the Local Government (Rating) Act 2002, to be used; and*

*(ii) the objectives of the differential rate, in terms of the total revenue sought from each category of rateable land or the relationship between the rates set on rateable land in each category".*

- 12.3 Page 126 of the Draft Annual Plan Supporting Document states the following:

*"The rating legislation certainly allows QLDC to differentiate on the basis of existing or proposed zoning (Schedule 2 Local Government (Rating) Act 2002). The objective of any proposal to rate on the basis of zoning rather than current usage will need to be explicit. The following issues were discussed:*

*a) Encouraging release of zoned land*

*b) Promoting affordability*

c) Recovering "holding costs" incurred by QLDC in relation to infrastructure planning and provision.

d) Deterring "land banking" by land owners

e) Avoiding expensive plan changes to enable development elsewhere".

12.4 The above extract appears to be copied from the relevant pages of the Report attached at Appendix A. Neither the Report nor the above 'explanation' from the Draft Annual Plan Support Document identify the objectives of the differential rates in accordance with clause 20 of the LGA, or explain the issues in a meaningful way, despite acknowledging that such an explanation must be 'explicit'.

12.5 A detailed analysis of the above 'issues' is addressed above.

13. **The amendments are not in accordance with fair and reasonable local government decision making**

13.1 *Current and future needs of the community*

- (a) Section 101(1) of the LGA sets out an overarching principle for the local authority to consider when setting its revenue and financing policies within its planning instruments, s 101(1) states:

*"(1) A local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community".*

- (b) Although the funding principles set out in the subsequent sub sections of 101 are related to matters to consider when establishing sources of funding for particular activities, the above consideration is overarching for all revenue considerations of Council, including the general rating system.
- (c) There is no evidence in the Annual Plan Supporting Document that the Council has considered whether or how the increased revenue from the proposed differential rating categories will promote the current and future interests of the community. The Council assumes firstly that the rating increase will encourage development and secondly that if all vacant land with zoning for development were encouraged to develop in the near future this would promote housing supply and affordability.
- (d) It is submitted that, neither of these assumptions are validated in the Council Consideration Documents. It is usually the case that development is not the cause of growth but rather follows and responds to growth trends. If there is no growth in an area, it is unlikely to be developed. However, when an area experiences significant growth then development within the area occurs as a consequence. It is unreasonable and unjustified to penalise a landowner ratepayer where that person owns land which might be developed for, say, community or recreational or commercial purposes within a greenfield development but there is not yet the market demand for such services to be provided. In that instance a staged long-term approach is often more appropriate and will lead to better integrated and well considered planning outcomes.

13.2 *Significant decisions under section 77 LGA*

- (a) Council has correctly recognised the proposed amendments as being a 'significant decision' in accordance with its Significance and Engagement Policy and in accordance with section 76AA of the LGA.



- (b) Significant decisions must be made in accordance the factors in sections 76-79 of the LGA in addition to general common law principles of good judicial decision-making. The relevant sections of the LGA are set out below;

*"77 Requirements in relation to decisions*

*(1) A local authority must, in the course of the decision-making process,—*

*(a) seek to identify all reasonably practicable options for the achievement of the objective of a decision; and*

*(b) assess the options in terms of their advantages and disadvantages; and*

*(c) if any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga.*

*(2) This section is subject to section 79".*

....

*"79 Compliance with procedures in relation to decisions*

*(1) It is the responsibility of a local authority to make, in its discretion, judgments—*

*(a) about how to achieve compliance with sections 77 and 78 that is largely in proportion to the significance of the matters affected by the decision as determined in accordance with the policy under section 76AA; and*

*(b) about, in particular,—*

*(i) the extent to which different options are to be identified and assessed; and*

*(ii) the degree to which benefits and costs are to be quantified; and*

*(iii) the extent and detail of the information to be considered; and*

*(iv) the extent and nature of any written record to be kept of the manner in which it has complied with those sections." ...*

- (c) Council has not complied with the above provisions adequately. The only assessment in terms of section 77 options appears to be contained within the Council's Report for Agenda item 3 dated 24 March 2016 which considers only two options, one option being to consider the Funding and Rates Review report 2016 and to consult on the recommendations, and the other being to not consider the Report and not consult. There appears to be no quantified analysis as to options, benefits and costs of the substantive amendments themselves.

### 13.3 *Procedural impropriety*

- (a) Because of the above identified inconsistencies with the proposal in accordance with the LGA, it is submitted that the proposed definition changes, if included in the Funding Impact Statement, would be an illegitimate decision due to procedural impropriety. The

mandatory considerations of the LGA do not appear to have been either expressly or impliedly addressed within the supporting documents for the proposed changes.

14. **The DPL Entities seek the following relief:**

- (a) That the proposed changes to the differential rating categories of '*Vacant Sections*' and '*Primary Industries*' are not included in the QLDC Funding Impact Statement; **OR**
- (b) If the proposed changes to the definitions of *Vacant Sections* and *Primary Industries* are included in the QLDC Funding Impact Statement then the definitions should be appropriately refined so as to exclude land categories identified within this Submission that are not appropriate to be categorised as Vacant Sections; and
- (c) Any consequential alternative or necessary relief to address the concerns identified within this Submission.

15. **The DPL Entities wish to be heard in support of this Submission.**

16. **If others wish to make a similar submission, the DPL Entities would be prepared to consider presenting a joint case with them at the hearing of the Draft Annual Plan 2016-17.**



.....  
Darby Planning Limited  
By its duly authorised agents  
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Per: W P Goldsmith / R E Hill  
Date: 29 April 2016

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## **FUNDING & RATES REVIEW REPORT 2016**

### **BACKGROUND**

Queenstown Lakes District Council (QLDC) last undertook a comprehensive review of the Funding Policy and Rating system during the 2011/12 year. QLDC has previously given a commitment that the funding/rating system would be reviewed on a three yearly basis. Normally, this review would have been undertaken as part of the Long Term Plan (LTP) process but was deferred for one year because of the need to focus on the implementation of new corporate software for the whole organisation during 2014/15.

New district-wide rating valuations came into effect from 1<sup>st</sup> July 2015 and the new LTP was adopted at the same time. It was therefore considered timely to instigate a funding/rating review during the 2015/16 year, which will have effect for the 2016/17 year.

The review was conducted by a working group made up of elected members supported by the Chief Financial Officer. This report summarises the recommended changes with the full Council having the final determination on any amendments to the Revenue and Financing Policy and the structure of the rating system.

### **SIGNIFICANCE OF DECISION**

The items covered by this report are considered to be significant under QLDC's Significance and Engagement Policy. It was recognised that any proposed changes to the Rates system or Revenue and Financing Policy would need to be incorporated into the draft Annual Plan for 2016/17 which is then subject to public consultation. The proposals to increase fees and charges for consenting activities under the Resource Management Act or Building Act, and for any fees and charges set under by-laws (i.e. Waterways), will require a separate dedicated report to Council and provides for a second formal opportunity to consult with ratepayers.

### **CONSULTATION - INTERESTED OR AFFECTED PERSONS**

The proposed changes to the Rates system or Revenue and Financing Policy will be incorporated into the Consultation Document for 2016/17 which is subject to public consultation. The proposals to increase fees and charges for consenting activities under the Resource Management Act or Building Act, and for any fees and charges set under by-laws (i.e. Waterways), will require use of the special consultative procedure. This will occur at a subsequent Council meeting.

### **RELEVANT COUNCIL POLICIES**

The following policy documents have been considered in the preparation of this report:

- The Revenue and Financing Policy (2012-22 LTP)
- Funding Impact Statement (2012-22 LTP)

### **REVIEW PROCESS**

From the outset, the importance of maintaining a structured approach to the review was recognised. For this reason, the review commenced with an overview of the current system

including the statutory framework and the relationship between the Revenue and Financing Policy and the Rating system.

The Revenue and Financing Policy indicates which funding tools are most appropriate for any given activity. Most of the focus for this part of the review was on those activities where funding targets are not being met. This is the first review since the amalgamation of Lakes Environmental and Lakes Leisure with QLDC in 2013/14.

The following activities have been reviewed in detail:

- Animal Control
- By-Law Enforcement
- Environmental Health
- Alcohol Licensing
- Waterways Facilities
- Waterways Control
- Building Control
- Resource Consents
- Aquatics

Generally, the review has resulted in changes to funding targets with some fee increases proposed for Animal Control (including dog registration); Environmental Health (including charges for food premises); Waterways; Resource Consents (including a review of staff charge out rates) and Aquatics (including pool charges).

From here, the following rates issues were considered:

- Rating of Residential Flats
- EECA proposal for Voluntary Targeted Rate for Residential insulation
- Rating of Land zoned for development but used as Primary Industry

These issues have arisen as a result of public submissions in the past 4 years or as a result of political concern. In summary, the report recommends a change in policy for the application of fixed charge rates on Residential Flats which will result in a reduction in rates for these properties. The report does not recommend the introduction of a Voluntary Targeted Rate for Residential insulation until the demand for this type of tool is better understood.

The report recommends a change in policy for the application of rates on Land zoned for development but used as Primary Industry, which will result in an increase in rates for these properties. These properties will be rated according to the underlying zoning rather than the current use (i.e. farming).

Finally, it has been necessary to evaluate the impacts of any proposed changes by recalculating the 2015/16 rates using the new proposals.

## **PROPOSED CHANGES TO THE QLDC FUNDING/RATING SYSTEM**

### **Guiding Principles**

The guiding principles that were adopted during previous reviews were endorsed:

- ♦ equity, i.e. as far as possible the system should be fair to all ratepayers.
- ♦ transparency, i.e. the system should be able to be understood by ratepayers and all activities within it should be clear for all to observe.

- ◆ enforceability, i.e. the system should be administratively simple to operate and able to be complied with,
- ◆ The rating system should deliver allocations of costs that are justifiable.
- ◆ Those who benefit from QLDC services (including secondary beneficiaries) should contribute to costs.
- ◆ The rating system should be consistent with QLDC's objectives, so that desired outcomes are complemented or advanced.

## **Revenue and Financing Policy**

Section 102 (2) of the Local Government Act 2002 requires each Council to adopt a Revenue and Financing Policy.

Section 103 outlines that this Policy must state the Council's policies in respect of the funding of both operating expenses and capital expenditure from listed sources, with the sources as outlined in section 103(2) being:

- a) *General rates including:*
  - (i) *choice of valuation system; and*
  - (ii) *differential rating; and*
  - (iii) *uniform annual general charges;*
- b) *targeted rates;*
- ba) *lump sum contributions;*
- c) *fees and charges;*
- d) *interests and dividends from investments;*
- e) *borrowing;*
- f) *proceeds from asset sales;*
- g) *development contributions;*
- h) *financial contributions under the Resource Management Act 1991;*
- i) *grants and subsidies;*
- j) *any other source.*

Section 101 (3) (b) states that in identifying the appropriate sources Council must consider the overall impact of any allocation of liability for revenue needs on the community. Council must also consider with regards to each activity to be funded:

- a) *the community outcomes to which the activity primarily contributes; and*
- b) *the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and*
- c) *the period in or over which those benefits are expected to occur; and*
- d) *the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and*
- e) *the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.*

## **Revenue and Financing Policy: Funding Issues**

A number of issues relating to the Revenue and Financing Policy in relation to the funding of particular activities were investigated. Most of the focus for this part of the review was on those activities where funding targets are not being met. This is the first review since the amalgamation of Lakes Environmental and Lakes Leisure with QLDC in 2013/14.

The following activities have been reviewed in detail:

- Animal Control
- By-Law Enforcement
- Environmental Health
- Alcohol Licensing
- Waterways Facilities
- Waterways Control
- Building Control
- Resource Consents
- Aquatics

### **Animal Control**

This activity deals primarily with the control of dogs in the district. The numbers of dogs and dog related complaints and incidents have increased over recent years. The annual cost associated with the activity is around \$423k per annum. The current private funding target is 55% with a forecast recovery of 57% from user fees for 2015/16.

The recommendation is to adjust the funding target to reflect an increased recovery from dog owners. The proposed private funding target has increased to 70% (up from 55%). The expected impact of the change is an increase in user charge revenue of around 30% (\$72k). If adopted, this will result in an increase to most current dog registration and impounding fees.

The proposed fees for 2016/17 are included in appendix A (attached). For example, the registration fee for a de-sexed pet dog (inclusive of available discounts) will rise from \$50 to \$55 (increase of 10%).

The level of increase in the proposed fees varies to reflect the service demands regarding dog control. For example, there are very few issues relating to working dogs, however, there are considerable demands from roaming whole dogs (not de-sexed), which are causing problems in our community such as attacks and getting into rubbish. The draft Annual Plan budget for 2016/17 includes a proposed increase in resourcing for this activity (up 0.5 FTE) due to the increase in activity (roaming dogs & dog attacks).

### **By-law and General Enforcement**

This activity deals primarily with the enforcement of consent conditions and by-laws in the district. The largest impact on this activity in recent years has been the introduction and enforcement of freedom camping rules. The annual cost associated with the activity is around \$718k per annum. The current private funding target is 30% with a forecast recovery of 39% from infringements and user fees for 2015/16.

The recommendation is to adjust the funding target to reflect the current recovery from freedom camping infringements. The proposed private funding target has increased to 40% (up from 30%). The expected impact of the change is that the revised target will be met if the collectability of freedom camping infringements is improved by 30%. This will result in a continuation of the initiatives to ensure that freedom camping fines are paid before overseas

offenders leave the country. It is recognised that if enforcement activities result in increased compliance, then revenue (from infringements) will decrease and the increased funding target will not be met.

### Environmental Health

This activity deals primarily with the inspection and licensing of registered premises in the district. The introduction of new Food Act 2014 (from 1<sup>st</sup> March 2016) will have a significant impact on this activity as business owners are required to comply with the new rules. The annual cost associated with the activity is around \$501k per annum.

The current economic benefit assessment is as follows: Private 45%; Public 50% and Exacerbator 5%. The proposed change reflects a higher private benefit to the business operator and a higher exacerbator factor which reflects the time and cost incurred in following up on non-compliance. The proposed economic benefit assessment is as follows: Private 60%; Public 30% and Exacerbator 10%.

The current private funding target is 50% with a forecast recovery of 38% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect an increased recovery from the owners of registered premises. The proposed private funding target has increased to 70% (up from 50%).

The expected impact of the change is an increase in user charge revenue of 75% (\$147k). If adopted, this will result in an increase to most current premises registration, inspection and auditing fees. The proposed fees for 2016/17 are included in appendix A (attached). For example, the verification fee for a food premise will rise from 26% to 155% depending on the size and category of the business.

The new fees reflect the estimated time spent by officers to administer the new legislation and take into account the additional time required to be spent in larger premises or with those not complying with the rules.

The draft Annual Plan budget for 2016/17 includes a proposed change to FTE allocation for this activity; up to 2.4 (up from 1.75 in the LTP) to reflect the actual time utilisation of the 3 existing Environmental Health Officers.

### Alcohol Licensing

This activity deals primarily with the inspection, monitoring and licensing of premises selling alcohol in the district. The introduction of new legislation has had a significant impact on this activity as business owners are required to comply with the new rules. The annual cost associated with the activity is around \$670k per annum. The current economic benefit assessment is as follows: Private 50%; Public 25% and Exacerbator 25%. The proposed change reflects a higher private benefit to the business operator and a slightly lower exacerbator factor which reflects the time and cost incurred in assisting licensees with their legal obligations; the application process; information to be provided and following up on non-compliance. The proposed economic benefit assessment is as follows: Private 60%; Public 30% and Exacerbator 10%.

The current private funding target is 60% with a forecast recovery of 85% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect the existing levels of recovery from the applicants. The proposed private funding target has increased to 70% (up from 60%). There is no expected impact on current user charge revenue as a result of the change.

The draft Annual Plan budget for 2016/17 includes a proposed increase in resourcing for this activity (up 2.0 FTE) due to the increasing workload. This will ensure that service levels are

improved and that QLDC meets all of its statutory obligations in this area. There is no impact on user charges as these changes can be funded from existing revenue.

The draft Annual Plan budget for 2016/17 also includes a proposed change to FTE allocation for this activity; to 0.6 (down from 1.25 in the LTP) to reflect the actual time utilisation of the 3 existing Environmental Health Officers.

### Waterways Facilities

This activity deals primarily with the provision, and maintenance of Council owned waterways assets (ramps, jetties, marinas) in the district. The current private funding target is 40% with a forecast recovery of 17% from user fees for 2015/16.

The recommendation is to investigate the introduction of a broader based “waterways fee” for all users of waterways assets (ramps, jetties, navigation aids etc.). This will require a change to regulations to allow infringements to be issued for non-compliance. The expected impact of such a change is to increase revenue by 235% (\$56k).

### Waterways Control

This activity deals primarily with the promotion and enforcement of safe use of the waterways in the district. The annual cost associated with the activity is around \$410k per annum. The current private funding target is 35% with a forecast recovery of 29% from user fees for 2015/16.

The recommendation is to review the fees set under the by-law to provide greater simplicity and to return to an annual fee regime. The expected impact of such a change is to increase revenue by 20% (\$24k).

### Building Control

This activity deals with all aspects of the building consent process, including the processing of applications; public enquiries; issuing consents and the inspection of building works in the district. The annual cost associated with the activity is around \$3.06m per annum.

The current economic benefit assessment is as follows: Private 90%; Public 5% and Exacerbator 5%. The proposed change reflects a lower private benefit to the applicant and a higher exacerbator factor which reflects the time and cost incurred in managing weather-tightness claims. The proposed economic benefit assessment is as follows: Private 80%; Public 5% and Exacerbator 15%.

The current private funding target is 95% with a forecast recovery of 81% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect the existing levels of recovery from the applicants. The proposed private funding target has decreased to 80% (down from 90%). There is no expected impact on current user charge revenue as a result of the change.

### Resource Consent Administration

This activity deals with all aspects of the resource consent process, including the processing of applications; public enquiries; issuing and monitoring of consents. The annual cost associated with the activity is around \$4.26m per annum. The current economic benefit assessment is as follows: Private 90%; Public 10% and Exacerbator 0%. The proposed change reflects a lower private benefit to the applicant and a higher public factor which reflects



the time and cost incurred in managing appeals and objections. The proposed economic benefit assessment is as follows: Private 80%; Public 20% and Exacerbator 0%.

The current private funding target is 90% with a forecast recovery of 64% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect a lower percentage recovery from user fees. The proposed private funding target has decreased to 80% (down from 90%). However, the current actual recovery percentage is only 64%. In order to achieve 80% recovery, a review of internal processes for recovering costs will be necessary. This will include a review of current fees and charges (including charge-out rates) and a review of the system for managing the cost of public enquiries.

The expected impact of the change is an increase in user charge revenue of 24% (\$660k). If adopted, this will result in an increase in the cost of most resource consent applications. The proposed charge-out rates and other charges made under the Resource Management Act will be considered by Council at the 28 April meeting. Any proposal to change these fees will require the special consultative procedure.

### Aquatics

This activity deals with the provision of indoor aquatic centres in the district. The annual cost associated with Alpine Aqualand is around \$2.69m per annum. The current private funding target is 60% with a forecast recovery of 53% from user fees for 2015/16.

The recommendation is to retain the funding target and to review admission charges in order to meet the 60% cost recovery. The expected impact of the change is an increase in user charge revenue of 13% (\$136k).

If adopted, this will result in an increase to some aquatic user fees. The proposed fees for 2016/17 are included in appendix A (attached). The proposed changes to some aquatic user fees have been recommended as a result of benchmarking our current fees to those in other districts. The existing \$2.00 fee for use of the hydro-slide for example is well below most other centres.

## **FIXED CHARGE RATES FOR RESIDENTIAL FLATS**

### Background

As part of the review process the working party considered rating issues raised through the submission process for the LTP and Annual Plans since 2012. There were a number of submissions relating to the current policy as regards the application of fixed charge rates to residential flats.

The common theme of these submissions is that it is not equitable to apply fixed charge rates at the full rate to residential flats. It is suggested that the policy should provide recognition of the following:

- Residential flats are smaller than dwellings (less demand on services)
- There is a shortage of rental accommodation and residential flats could ease the problem
- The current rating policy is a disincentive to residential flats because its application means that a residential flat will pay more than the same space used for visitor accommodation (through Mixed Use rates).

Fixed Charge Rates are applied on the basis of each “separately used or inhabited part” (SUIP) of a rating unit and each Council is required to have its own policy position as to how this applies. The current QLDC position is as follows:

### **Definition of “Separately Used or Inhabited Parts of a Rating Unit”**

Where rates are calculated on each separately used or inhabited part of a rating unit, the following definitions will apply:

- Any part of a rating unit that is used or occupied by any person, other than the ratepayer, having a right to use or inhabit that part by virtue of a tenancy, lease, licence, or other agreement.
- Any part or parts of a rating unit that is used or occupied by the ratepayer for more than one single use.

The following are considered to be separately used parts of a rating unit:

- Individual flats or apartments
- Separately leased commercial areas which are leased on a rating unit basis
- Vacant rating units
- Single rating units which contain multiple uses such as a shop with a dwelling or commercial activity with a dwelling
- A residential building or part of a residential building that is used, or can be used as an independent residence.

An independent residence is defined as a liveable space with its own kitchen, living and toilet/bathroom/laundry facilities that can be deemed to be a secondary unit to the main residence. Note: the definition of a kitchen comes from the District Plan.

The following are not considered to be separately used parts of a rating unit:

- A residential sleep-out or granny flat that does not meet the definition of an independent residence
- A hotel room with or without kitchen facilities
- A motel room with or without kitchen facilities
- Individual storage garages/sheds/portioned areas of a warehouse
- Individual offices or premises of business partners.

#### **District Plan definition of a Kitchen:**

Means any space, facilities and surfaces for the storage, rinsing preparation and/or cooking food, the washing of utensils and the disposal of waste water, including a food preparation bench, sink, oven, stove, hot-plate or separate hob, refrigerator, dish-washer and other kitchen appliances.

Clearly, residential flats are a SUIP under the policy and as such receive a full set of fixed charge rates at the full residential rate. The following rates are charged on a fixed amount basis:

Uniform Annual General Charge	\$86.00
Sports, Halls & Libraries Annual Charge	\$324.00
Governance & Regulatory Charge	\$71.00
Recreation & Events Charge	\$157.00
Waste Management Charge	\$136.00
Aquatic Centre Charge	\$95.00 (Wakatipu/Arrowtown only)
Water Supply Charge	\$180.00 to \$750.00 (depending on location)
Sewerage Charge	\$370.00 to \$650.00 (depending on location)

This means that for any dwelling in Queenstown, the total fixed charge rates amount to \$1,509 per annum. For a property with a median value of around \$670,000, fixed charge rates make up 60% of the total rates paid for the property (\$2,497).

If this same property included a residential flat, the total rates payable would increase by \$1,509 per annum to \$4,006; an increase of over 60%. If this same property with a flat, was registered as homestay, the total rates payable (as mixed use) would increase by \$700 per annum to \$3,197; an increase of 28%.

There is a clear inequity with regard to the relative rates payable between the two uses. In order to eliminate the discrepancy, it is proposed that a differential be introduced for a new rating category: Dwelling plus Residential Flat. The differential will apply to the following rate types:

Sports, Halls & Libraries Annual Charge	x1.4
Governance & Regulatory Charge	x1.4
Recreation & Events Charge	x1.4
Waste Management Charge	x1.4
Aquatic Centre Charge	x1.4

This effectively means that the Residential flat is charged at the rate of 40% of a dwelling for these differentially set targeted rates. The justification for this lies in the proportional use of services applicable to an average flat. The relative size of a residential flat to an average dwelling suggests a factor of 0.3 to 0.6 is appropriate.

The UAGC must be charged in full to each SUIP and it is recommended to use the existing 50% charges available for Water and Sewerage.

The impact of this proposal will be to reduce rates for dwellings with residential flats by around 20%. Using the example above, the revised rates will be \$3,178 (down from \$4,006) which is a decrease of 20.6%. This revised amount is also slightly less than the amount paid under mixed use (Homestay – short term).

The impact of the proposal will result in a transfer of rates incidence away from Residential Flats and to all other rating categories. It is expected that approximately \$140,000 of rates will need to be re-allocated. This will have a minor impact with Residential ratepayers picking up an additional \$15-20 per year per property, for example.

### **VOLUNTARY TARGETED RATE (EECA)**

QLDC received a submission from the Energy Efficiency and Conservation Authority (EECA) requesting that QLDC consider the introduction of a Voluntary Targeted Rate (VTR) to support the greater uptake of energy efficiency measures such as insulation or heating.

The matter was deferred to the Funding Review process for consideration. There are 11 other councils who have adopted VTR schemes. Most of these did so in conjunction with the central government scheme “Warm up New Zealand” which targeted assistance to low income homes from 2009 to 2013.

The VTR scheme is designed to be cost neutral to councils. Insulation is only provided to individual ratepayers who request it and who are willing to pay back the cost over a 9 to 10 year period. Typically, councils will set a cap on the amount of funding available each year and also on the amount each household can obtain as a VTR.

The panel supported the concept of the VTR but were concerned that there may not be the demand for such a scheme within the district. This is due to the cessation of the central government grant programme in 2013 and also due to the recent introduction of the joint initiative between the Central Lakes Trust and EECA to improve insulation in homes built before 2000 worth \$300,000.

The introduction of a Voluntary Targeted Rate for Residential insulation is not recommended at this stage until the demand for this type of tool is better understood.

### **RATING OF UNDEVELOPED LAND WITH ZONING**

The working party has also considered the rating of undeveloped land which is zoned for development. There are numerous examples around the district where rates are applied to the property on the basis of current use (i.e. Primary Industry) but the property has an underlying zoning which supports development.

The rating legislation certainly allows QLDC to differentiate on the basis of existing or proposed zoning (Schedule 2 Local Government (Rating) Act 2002). The objective of any proposal to rate on the basis of zoning rather than current usage will need to be explicit. The following issues were discussed:

- a) Encouraging release of zoned land
- b) Promoting affordability
- c) Recovering “holding costs” incurred by QLDC in relation to infrastructure planning and provision.
- d) Deterring “land banking” by land owners
- e) Avoiding expensive plan changes to enable development elsewhere

The simplest way of introducing this proposed change is to amend the current rating category known as Vacant Sections. The differential description as it appears in QLDC’s Funding Impact Statement is as follows:

#### **3. Vacant Sections (Existing)**

*All rating units which are vacant properties and suitable for development.*

The key phrases to this definition are “vacant properties” and “suitable for development”. This has meant that this definition applies quite narrowly to land that has been subdivided but sits passively awaiting development or sale by the owner. In order to include all undeveloped land which has zoning allowing development, the following definition would apply:

#### **3. Vacant Sections/Zoned Land (Proposed)**

*All rating units which are vacant properties and suitable for development or land zoned for development but used as Primary Industry.*

This approach would rate the land with zoning on the same basis as Vacant Sections. This includes higher differentials for most targeted rates. The impact on properties currently rated as Primary Industry would see the rates increase by 43 to 154% depending on location and connection of services. The average increase for the 11 properties modelled was 86% (total increase of 132k).

If this proposal were to be introduced, the definition of Primary Industry would need to be amended to exclude land with zoning for development.

#### **8. Primary Industry (Proposed)**

*All rating units:*

- *Used exclusively or principally for agricultural or horticultural purposes including dairying, stock fattening, arable farming, share sheep, market gardens, vineyards, orchards, specialist livestock, forestry or other similar uses, or*
- *Which are ten hectares or more in area and located in any of the Rural or Special Zones contained in the Queenstown Lakes District Council's District Plan as at 1 July of the current rating year.*
- *But excluding all properties used as Primary Industry but rated under Category 3 Vacant Sections/Zoned Land.*

However, there are some administration issues with this proposal. The main one relates to the mismatch that often exists between cadastral boundaries and zoning areas. This means that the existing rating unit will often comprise more than one zone. In order to set rates on the zoning, a series of rating divisions or apportionments will be necessary.

## **EFFECTS OF PROPOSED CHANGES TO THE QLDC RATING SYSTEM**

The proposed changes to the Revenue and Financing Policy will result in some changes to fees and charges for 2016/17.

There are revenue increases proposed in the draft budget for the Annual Plan 2016/17 for the following activities: Animal Control (including dog registration) of \$72k (30%); Environmental Health (including charges for food premises) of \$147k (75%); Waterways \$24k (20%); Resource Consents (including a review of staff charge out rates) \$660k (24%) and Aquatics (including pool charges) \$136k (13%).

The following rates issues were considered:

- Rating of Residential Flats
- EECA proposal for Voluntary Targeted Rate for Residential insulation
- Rating of Land Zoned for development but used as Primary Industry

The impact of the proposed changes to rating policy will have a minor impact on rating incidence overall because there are relatively few properties affected. There are just over 200 properties which potentially include a residential flat and which could benefit from the proposal to reduce the incidence of fixed charge rates. If implemented, the negative rate impact on other properties will be minor (i.e. an additional \$15 to \$20 per annum for residential properties).

There are estimated to be fewer than 20 properties which are currently rated as Primary Industry but are zoned for development and which will be impacted by the proposal to rate by zoning instead of usage. If implemented, the positive rate impact on other properties will be minor (i.e. a reduction of \$1 to \$2 per annum for residential properties).

## Appendix A – Proposed Fees for 2016/17

### Animal Control

#### *Annual Dog Registration Fees \*CURRENT\**

Category	Standard Fee (incl GST)	Effective Fencing Reduction	Positive History Reduction	Potential Discounted Fee
Guide/ Companion Dog	Nil	-	-	-
Working Dog	\$35	\$3	\$2	\$30
De-sexed Dog	\$60	\$6	\$4	\$50
Dangerous/ Menacing Dog	\$165	\$10	\$10	\$145
All Other Dogs	\$68	\$4	\$4	\$60

#### *Annual Dog Registration Fees \*PROPOSED\**

Category	Standard Fee (incl GST)	Effective Fencing Reduction	Positive History Reduction	Potential Discounted Fee
Guide/ Companion Dog	Nil	-	-	-
Working Dog	\$70	\$20	\$20	\$30
De-sexed Dog	\$115	\$30	\$30	\$55
Dangerous/ Menacing Dog	\$245	\$40	\$40	\$165
All Other Dogs	\$155	\$40	\$40	\$75

#### *Overall Annual Dog Registration Fee Increase (using Discounted Fee)*

Category	Proposed Increase
Guide/Companion Dog	0%
Working Dog	0%
De-sexed Dog	10%
Dangerous/Menacing Dog	14%
All other Dogs	25%

The proposed fees reflect the changes as per the Revenue and Financing Policy which indicates an increase in user charge revenue to compensate for the increase in dog related complaints and incidents in recent years.

### *Impounding Fees (incl GST)*

	1 <sup>st</sup> Occurrence	2 <sup>nd</sup> Occurrence	3 <sup>rd</sup> Occurrence
<b>Current Fee</b>	\$100	\$160	\$240
<b>Proposed Fee</b>	\$125	\$200	\$300
<b>Proposed Increase</b>	25%	25%	25%

Impounding fees are direct costs to the user on a graduated increase for roaming dogs that are collected. The issue of roaming dogs remains the largest animal related issue in our community, therefore this increase is intended to promote self-compliance by dog owners.

### **Environmental Health**

#### *Registration Fees \*CURRENT\* (incl GST)*

Business Size / Risk Category	Category A	Category B	Category C	Category D
<b>Level 1</b>	\$285	\$315	\$355	\$405
<b>Level 2</b>	\$320	\$350	\$390	\$440
<b>Level 3</b>	\$375	\$405	\$445	\$495
<b>Level 4</b>	\$485	\$515	\$555	\$605

Food Control Plans      \$350 flat rate (incl GST)

#### *Verification Fees \*PROPOSED\* (incl GST)*

Business Size / Risk Category	Category A	Category B	Category C	Category D
<b>Level 1</b>	\$360	\$540	\$720	\$900
<b>Level 2</b>	\$540	\$720	\$900	\$1080
<b>Level 3</b>	\$720	\$900	\$1080	\$1260
<b>Level 4</b>	\$900	\$1080	\$1260	\$1440

### *Food Control Plans and National Programmes*

Registration is a straightforward administrative task therefore it is proposed that registration is free to encourage self-compliance. A new \$450 infringement for not registering will apply as set by statute.

### *Proposed Increase*

<b>Business Size / Risk Category</b>	<b>Category A</b>	<b>Category B</b>	<b>Category C</b>	<b>Category D</b>
<b>Level 1</b>	26%	71%	103%	122%
<b>Level 2</b>	69%	105%	131%	145%
<b>Level 3</b>	92%	122%	143%	155%
<b>Level 4</b>	86%	110%	127%	138%

The proposed fees incorporate the changes required by the Revenue and Financing Policy and reflect the time to undertake an audit of a food business, which is dependent on the size of the operation and the level of risk associated with the food being prepared.

The business size classifications are outlined below:

- Level 1 – Small business (National Programme 1)
- Level 2 – Medium size business (National Programme 2 or 3)
- Level 3 – Large size business (Food Control Plan)
- Level 4 – Very large business (Food Control Plan)

### *New Premises Fees (incl GST)*

<b>Level</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Level 1</b>	\$615	\$720	17%
<b>Level 2</b>	\$650	\$900	38%
<b>Level 3</b>	\$705	\$1080	53%
<b>Level 4</b>	\$815	\$1260	55%

The proposed fees reflect the time to assist and process new operators pursuant to the Food Act 2014 which came into effect on 1 March 2016.

### **Aquatics**

#### *Casual Fees (incl GST)*

<b>Category</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Adult</b>	\$8.00	\$8.00	0%
<b>Child</b>	\$3.00	\$4.00	33%
<b>Beneficiary/Senior</b>	\$4.50	\$4.50	0%
<b>Hydroslide</b>	\$2.00	\$5.00	150%

#### *3 Months Pre-Paid (incl GST)*

<b>Category</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Adult</b>	\$129	\$169	31%
<b>Child</b>	\$49	\$59	20%
<b>Beneficiary/Senior</b>	\$59	\$79	34%



*6 Months Pre-Paid (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$219	\$270	23%
Child	\$89	\$109	22%
Beneficiary/Senior	\$109	\$129	18%
Family	\$399	\$429	8%

*12 Months Pre-Paid (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$329	\$399	21%
Child	\$139	\$179	29%
Beneficiary/Senior	\$169	\$209	24%
Family	\$659	\$709	7%

*6 Month Direct Debit (monthly fee) (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$9.00	\$11.00	22%
Child	\$4.00	\$5.00	25%
Beneficiary/Senior	\$5.00	\$6.00	20%
Family	\$16.50	\$19.00	15%

*12 Month Direct Debit (monthly fee) (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$7.00	\$9.00	29%
Child	\$3.00	\$4.00	33%
Beneficiary/Senior	\$3.50	\$4.50	29%
Family	\$13.50	\$16.00	19%

The proposed fees reflect the changes as per the Revenue and Financing Policy which indicates an increase in user charge revenue via admission charges in order to meet the existing funding target.



"B"

New Zealand Legislation

# Local Government (Rating) Act 2002

• with search matches highlighted

## Schedule 2

ss 14, 17

### Matters that may be used to define categories of rateable land

- 1 The use to which the land is put.
- 2 The activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative district plan or regional plan under the Resource Management Act 1991.
- 3 The activities that are proposed to be permitted, controlled, or discretionary activities, and the proposed rules for the area in which the land is situated under a proposed district plan or proposed regional plan under the Resource Management Act 1991, but only if—
  - (a) no submissions in opposition have been made under clause 6 of Schedule 1 of that Act on those proposed activities or rules, and the time for making submissions has expired; or
  - (b) all submissions in opposition, and any appeals, have been determined, withdrawn, or dismissed.
- 4 The area of land within each rating unit.
- 5 The provision or availability to the land of a service provided by, or on behalf of, the local authority.
- 6 Where the land is situated.
- 7 The annual value of the land.
- 8 The capital value of the land.
- 9 The land value of the land.

# CARDRONA ALPINE RESORT LIMITED HILL, ROSIE

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## REVENUE AND FINANCING POLICY

Please see attached document

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## RATING POLICY

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## DEVELOPMENT CONTRIBUTION POLICY

## Submission on Queenstown Lakes District Council Annual Plan 2016-17

**To:** **Queenstown Lakes District Council**  
PO Box 50072  
Queenstown 9348

**Name of Submitter:** **Cardrona Alpine Resort Limited**  
(c/- Warwick Goldsmith / Rosie Hill)  
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E: warwick.goldsmith@andersonlloyd.co.nz / rosie.hill@andersonlloyd.co.nz  
Postal address: PO Box 201, Queenstown 9348

### 1. **Introduction**

- 1.1 This is a submission on behalf Cardrona Alpine Resort Limited ("**CARL**") on the Queenstown Lakes District Council ("**Council**") Draft Annual Plan 2016-17 consultation document ("**Draft Annual Plan**").
- 1.2 CARL owns land the freehold land commonly known as the Cardrona Ski Field. That land is within the freehold Ski Area Subzone under the Proposed District Plan ("**PDP**") and is land zoned for development purposes.
- 1.3 The specific issues of the Draft Annual Plan which this submission relates to are the proposed changes to the differential rating system used by the Council and as identified in its Funding Impact Statement.
- 1.4 This submission has been structured in two sections:
  - Specific submissions in respect of the land owned by CARL; and
  - General submission on behalf of CARL

### 2. **Specific Submission: Cardrona Alpine Resort Limited**

- 2.1 CARL's submission is as follows:
  - (a) CARL operates its Ski Field located within the Cardrona Ski Field Subzone identified in the PDP.
  - (b) The Ski Area Subzone is subject to significant planning and infrastructure development to maximise the potential benefits of a range of outdoor recreation activities in the District.
  - (c) The resort caters for guests of all abilities and disciplines making it the most diverse field in New Zealand. Recent development in the 2014 and 2015 summer has seen Cardrona grow into a summer resort offering lift accessible mountain biking, gravity karts, walking and adventure trails and night time sightseeing adventures. Cardrona Alpine Resort is focused on developing a year round activity base for summer and winter operation offering year round lift accessible terrain, on mountain accommodation, food and beverage service, retail, and mountain based tourism activities.
  - (d) The land subject to the Ski Area Subzones is 'zoned for development' and therefore appears to be caught by the proposed rating increase. That land which is not yet 'developed' is maintained as bare land due to the environment values of the land. It is not useful for productive purposes. The potential significant community benefits to be

derived from these subzones outweigh the need to encourage landowners to release land when that land is not capable of supporting residential development.

- 2.2 CARL comments on the Council's five intended objectives, as they relate to CARL's land.

*Encouraging release of zoned land*

- 2.3 The land that CARL owns and operates is clearly of a special nature and reserved for a particular purpose - which is commercial recreation. The land is not intended to be developed for any other reason. The proposed rating increase would not encourage the land to be released for development. Ski field development is determined by the market, not by rates.

*Promoting affordability*

- 2.4 The ability for CARL to provide living and visitor accommodation opportunities is limited through the District Plan. There is not an understanding that CARL would provide affordable or residential housing on its land to increase market supply and affordability.

- 2.5 The Cardrona Alpine Resort generates employment for about 560 (520 seasonal staff and 40 year round) people. The operation of the Cardrona Alpine Resort relies on the ability to develop, operate, maintain and upgrade a considerable network of built infrastructure, primarily relating to the ski field, including a network of roads/trails, parking areas, buildings, energy generation, snow making, communication, accommodation, retail and cafe facilities. This has nothing to do with housing affordability.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

- 2.6 CARL provides the financial basis for the infrastructure which is or will be contained on its land. The Council has not and will not incur any holding costs in relation to infrastructure for the Cardrona Alpine Resort.

*Deterring "landbanking" by landowners*

- 2.7 CARL submits that it should not be encouraged to develop its land in a way or at a rate other than that which it believes will deliver the best community and planning outcomes. The land is being held for a very specific purpose, which when developed in a comprehensive way will provide significant community and social benefits. CARL is not landbanking by any means.

*Avoiding expensive plan changes to enable development elsewhere*

- 2.8 Any private plan changes in the future which would take place on the CARL land would be specific to its purpose and would be part of a broader master plan to achieve integrated development of natural and physical resources. CARL submits that such plan changes in relation to land of this special nature should be encouraged rather than deterred by Council, particularly as CARL as proponent of a private plan change would meet all of the costs under the RMA. There would be no cost to Council.

- 2.9 **Relief Requested** – CARL requests the following relief arising from matters detailed in this Submission:

- (a) That the proposed differential rating amendments which will apply to the Cardrona Alpine Resort land be abandoned; **OR**
- (b) That the definition of Vacant Section (as now amended) be further amended to exclude any Ski Area Subzone

### 3. Summary of General Submission

- 3.1 The changes proposed by Council detailed in the Funding Impact Statement through its Annual Plan 2016-17 are **opposed** by CARL because the intended changes are fundamentally flawed. The premise of rates is to generate income for local authorities to provide services which are then delivered to those rating units. The changes proposed to the definitions of Vacant Sections and Primary Industries to increase income from rates levied against those units is not based upon the provision of additional or extra services to those units. The changes therefore do not serve a legitimate purpose.
- 3.2 The mechanism of instigating this change through the proposed definitions is problematic as it is so broad it potentially captures a huge range of properties within the District, from rural general land which is capable of obtaining discretionary consent to subdivide, to visitor accommodation subzones with controlled activity status for buildings, to residential zoned land which is yet to be built on. The Submitter assumes the latter is the only category intended to be caught by the changes, but that is not the effect of the changes.
- 3.3 In addition to and without derogating from the general reasons above, the Submitter opposes the changes for the following reasons:
- (a) The amendments proposed to the definitions of differential rating categories are ambiguous and do not provide certainty for ratepayers as to the rating status of land;
  - (b) The amendments do not achieve the desired objectives of Council which are relied on to support the amendments;
  - (c) The amendments are not in accordance with Council's Guiding Principles as cited in the Annual Plan;
  - (d) This proposed differential rate is not consistent with the scheme and purpose of the Local Government Act 2002 (Schedule 10) and the Local Government (Rating) Act 2002 (Schedule 2); and
  - (e) The decision to make the proposed definition changes to differential rating categories is not a fair and reasonable decision for the Council to make, and has not been made in accordance with the decision-making requirements of section 77 of the Local Government Act 2002.

### 4. Definition/Interpretation Problems

- 4.1 The proposed amendments referred to throughout this submission are the proposed definition changes to the differential rating categories known as '*Vacant Sections*' and '*Primary Industries*' contained within the QLDC Funding Impact Statement. The definition changes are proposed as follows (track changes have been included by the submitter as no track changes have been included in the consultation documents).

#### *Vacant Sections/Zoned Land (Proposed)*

*"All rating units which are vacant properties and suitable for development or land zoned for development but used as Primary Industry".*

...

#### *Primary Industry (Proposed)*

*"All rating units:*

- *Used exclusively or principally for agricultural or horticultural purposes including dairying, stock fattening, arable farming, share sheep, market gardens, vineyards, orchards, specialist livestock, forestry or other similar uses, or*
- *Which are ten hectares or more in area and located in any of the Rural or Special Zones contained in the Queenstown Lakes District Council's District Plan as at 1 July of the current rating year.*
- *But excluding all properties used as Primary Industry but rated under Category 3 Vacant Sections/Zoned Land".*

4.2 The amendments identified above give rise to the following definition and interpretation problems:

- (a) All land in the district is zoned for development to a greater or lesser degree, ranging from (easy) permitted activity residential development in residential zones through to (difficult) discretionary residential activities in outstanding natural landscapes. Therefore the definition potentially catches all land.
- (b) It is unclear whether the phrase "... used as Primary Industry ..." in both amended sections quoted above is intended to capture just the first bullet point in the definition of Primary Industry or the first and second bullet points. Therefore it is unclear whether the amended provisions are just intended to apply to properties in excess of 10ha which are zoned for development, or whether they are intended to apply to all properties zoned for development regardless of size.

4.3 Given the definition and interpretation problems identified above, it is difficult to see how the Council can make the statement on page 127 of the Annual Plan that "*There are estimated to be fewer than 20 properties which are currently rated as Primary Industry but are zoned for development and which will be impacted by the proposal to rate by zoning instead of usage*". If that statement is in fact true, then it is submitted that the amendments quoted above do not achieve that intention.

4.4 It is submitted that, at the very least:

- (1) The generic phrase "*zoned for development*" should be replaced with reference to specific zonings intended to be captured;
- (2) The amendments should be clarified as to whether the 10ha trigger applies.

## 5. **The amendments do not achieve the desired objectives of Council**

5.1 The Funding and Rates Review Report 2016, which appears to be the main justification for the proposed amendments to the differential rating category definitions is a high-level policy document which fails to assess actual costs and benefits of the proposed changes and lacks real quantitative and qualitative analysis. The Report is not divided into sections and does not include page numbers, but the relevant pages of the Report are attached as "**Appendix A**". The Report does not explain how the amendments will achieve the Council's identified objectives.

### *Encouraging release of zoned land*

5.2 There is no explanation or analysis explaining how the proposed rating increase will encourage the release of zoned land. That would only apply if the economic incentive arising from the rate increase resulted in a development decision that it is preferable to develop and sell the land rather than to continue to incur the rating costs. However the holding cost of rates is a minor factor in any overall decision as to whether to hold or develop land which is able to be developed. There is no evidence or analysis supporting a contention that the

proposed rate increase has any reasonable chance of causing a change in decisions about development.

*Promoting affordability*

- 5.3 There is no evidence or analysis explaining how the proposed increase in rates will promote the affordability of housing.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

- 5.4 Land rated under the Primary Industry category is already paying rates in respect of services which that land either does not use or only uses to a minimal extent (such as roading). There is no explanation or justification as to why the existing Primary Industry rating differential does not already provide adequate reimbursement to Council for any relevant holding costs.
- 5.5 There is no analysis of the "holding costs" which are being referred to. Such "holding costs" relate primarily to infrastructure services such as sewerage and potable water supply. If those are the "holding costs" being referred to, and without taking away from the previous point, the proposed rating differential increase should be limited to land zoned for development located within rating areas where QLDC provides specific infrastructural services such as sewerage and water supply.
- 5.6 This rating change will result in undeveloped land, currently being used for Primary Industry, being levied with a stormwater rate which was not previously levied against such land. No explanation or justification for that change has been provided.

*Deterring "landbanking" by landowners*

- 5.7 The points made above under the heading "*Encouraging release of zoned land*" also apply here. There is no explanation or justification as to how the proposed rating increase will provide economic incentives sufficient to change decisions made about whether or not land should be developed.

*Avoiding expensive plan changes to enable development elsewhere*

- 5.8 No examples have been given of where the Council has incurred any cost in relation to "*expensive plan changes*" as a result of lack of availability of land for development. All recent plan changes providing for housing in particular have been private plan changes and/or public plan changes where private developers have carried the cost. The District Plan Review is an expense Council must incur regardless because of statutory requirements. No justification at all under this heading has been provided.

**6. The amendments are ambiguous and unnecessarily broad**

- 6.1 Schedule 2 of the Local Government (Rating) Act 2002 attached as ("**Appendix B**") sets out the matters that must be used to define categories of rateable land. It is not explicit in the Consultation Documents which category of Schedule 2 is being relied upon, but it is assumed to be subclause 2, given the early stages at which the Proposed District Plan is at. Sub-clause 2 is as follows;

" ...

(2) *The activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative district plan or regional plan under the Resource Management Act 1991".*



6.2 Without further explanation of the definition change to '*Vacant Sections*', it is assumed that '*zoned for development...*' will include any land within the Operative District Plan which can be 'developed' in accordance with the permitted, controlled, and discretionary activity rules of the rating unit's underlying zone. That covers all land in the District.

6.3 The interpretation to be given to that definition, or its intent is not discussed within the Consultation Documents, and the submitter is concerned it will have very wide-ranging consequences. A definition of 'development' in the Local Government Act 2002 may be of assistance (as it applies to development contributions):

*"development means—*

*(a) any subdivision, building (as defined in section 8 of the Building Act 2004), land use, or work that generates a demand for reserves, network infrastructure, or community infrastructure; but*

*(b) does not include the pipes or lines of a network utility operator"*

6.4 The definition of '*development*' above is inherently broad and captures land use which essentially means to alter the land in a way that adds monetary value to it. Most development within the Lakes District, regardless of what underlying zoning it has, will be captured by the above definition of '*development*'.

6.5 The definition of '*Vacant Section*' does not appear to discern between types of development or different types of zones, therefore the definition could potentially capture everything from land with underlying commercial zoning with permitted activity status for intensive development, through to land in the Rural General Zone which has discretionary activity status for subdivision and the identification of building platforms.

6.6 A Rural General zoned area of land which is over 10 hectares or is currently being farmed, but which could in theory be developed through discretionary applications under the Operative Plan, would potentially be caught within the definition change but would not assist in resolving Council's identified issues such as land banking and increasing housing affordability.

6.7 It is assumed the Council's rating policy is not intended to catch the latter scenario and therefore the definition of Vacant Section is unnecessarily broad and ambiguous.

6.8 Other examples of this definition change capturing unintended rating units could include;

(a) Land with underlying rural living development potential such as in the Rural Lifestyle and Rural Residential zones;

(b) Special Zones which include Ski Area Subzones/Visitor Accommodation Subzones; and

(c) Recently zoned greenfield developments which might have a staged long-term master-planned approach to development in order to meet community and planning needs.

6.9 All of the above examples provide significant positive benefits to the community but are not necessarily capable of mitigating a shortage of affordable housing supply or increasing the availability of residential land for residential purposes. Any such definition change to the differential rating categories should therefore exclude the above examples so as to only capture land with appropriate zoning, such as residential zoned land with controlled or permitted activity status for residential development which is serviced by Council infrastructure.

**7. The amendments are not in accordance with the Guiding Principles**

**7.1 The Draft Annual Plan Consultation Document, at page 121 States the following Guiding Principles are relevant in proposing changes to the funding/rating system:**

*"Guiding Principles*

*The guiding principles that were adopted during previous reviews were endorsed:*

- *equity, i.e. as far as possible the system should be fair to all ratepayers.*
- *transparency, i.e. the system should be able to be understood by ratepayers and all activities within it should be clear for all to observe.*
- *enforceability, i.e. the system should be administratively simple to operate and able to be complied with,*
- *The rating system should deliver allocations of costs that are justifiable.*
- *Those who benefit from QLDC services (including secondary beneficiaries) should contribute to costs.*
- *The rating system should be consistent with QLDC's objectives, so that desired outcomes are complemented or advanced."*

**7.2 The proposed definition changes are not transparent and enforceable as they are inherently ambiguous. The Consultation Documents provided for public comment lack clarity and detail so as to enable the public to address concerns on the proposal. There is no explanation as to how broad the definition of Vacant Sections is intended to apply and how the wording of that definition change is intended to be interpreted.**

**7.3 As discussed in the preceding section of this submission, it is not clear how 'development' is to be construed and whether this would include all activities capable of obtaining resource consent in all zones, or whether it is intended to apply only to certain activity statuses within certain zones.**

**7.4 The definition change to Vacant Sections which might capture non-residential land is not justifiable as it does not address the issues identified by Council as sought to be remedied by this proposed change. The amendments will create an additional cost atop an already complex land development process in the District. Those landowners already are facing steady increases in costs from Council's development contributions, process charges, and increasing needs for more information as part of development.**

**7.5 Council has also identified the potential complexity and additional cost arising from the proposed definition changes at page 127 of the Draft Annual Plan Consultation Document where it is acknowledged that;**

*"However, there are some administration issues with this proposal. The main one relates to the mismatch that often exists between cadastral boundaries and zoning areas. This means that the existing rating unit will often comprise more than one zone. In order to set rates on the zoning, a series of rating divisions or apportionments will be necessary"*

**7.6 The above scenario is unacceptable where landowners may own a rating unit which contains a very small portion of land with 'zoning for development' and would face an increase in rates despite the reality that development potential of the land is very unlikely.**

- 7.7 The additional rating cost does not relate to provision of any additional services. That is fundamentally contrary to at least 2 of the Guiding Principles quoted above.

**8. Local Government Act 2002- Rating and Annual Plan requirements**

- 8.1 It is submitted that the changes proposed to the differential rating category definitions contained within the Funding Impact Statement are inherently flawed as they do not accord with the relevant provisions of local government legislation.

- 8.2 Schedule 10 of the Local Government Act 2002 (**LGA**) sets out the mandatory and optional requirements for territorial authorities to include in long-term plans, annual plans, and annual reports. Clause 20 of Schedule 10 establishes that an annual plan must include a 'funding impact statement' for the year to which the plan relates, and describes the form and contents required for the funding impact statement. Clause 20(3) in particular states the requirements for where rates are to be set differentially as follows;

*"(3) If the sources of funding include a general rate, the funding impact statement must—*

*...*

*(c) state whether the general rate is to be set differentially and, if so,—*

*(i) the categories of rateable land, within the meaning of section 14 of the Local Government (Rating) Act 2002, to be used; and*

*(ii) the objectives of the differential rate, in terms of the total revenue sought from each category of rateable land or the relationship between the rates set on rateable land in each category".*

- 8.3 Page 126 of the Draft Annual Plan Supporting Document states the following:

*"The rating legislation certainly allows QLDC to differentiate on the basis of existing or proposed zoning (Schedule 2 Local Government (Rating) Act 2002). The objective of any proposal to rate on the basis of zoning rather than current usage will need to be explicit. The following issues were discussed:*

*a) Encouraging release of zoned land*

*b) Promoting affordability*

*c) Recovering "holding costs" incurred by QLDC in relation to infrastructure planning and provision.*

*d) Deterring "land banking" by land owners*

*e) Avoiding expensive plan changes to enable development elsewhere".*

- 8.4 The above extract appears to be copied from the relevant pages of the Report attached at Appendix A. Neither the Report nor the above 'explanation' from the Draft Annual Plan Support Document identify the objectives of the differential rates in accordance with clause 20 of the LGA, or explain the issues in a meaningful way, despite acknowledging that such an explanation must be 'explicit'.

8.5 A detailed analysis of the above 'issues' is addressed above.

9. **The amendments are not in accordance with fair and reasonable local government decision making**

9.1 *Current and future needs of the community*

- (a) Section 101(1) of the LGA sets out an overarching principle for the local authority to consider when setting its revenue and financing policies within its planning instruments, s 101(1) states:

*"(1) A local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community".*

- (b) Although the funding principles set out in the subsequent sub sections of 101 are related to matters to consider when establishing sources of funding for particular activities, the above consideration is overarching for all revenue considerations of Council, including the general rating system.
- (c) There is no evidence in the Annual Plan Supporting Document that the Council has considered whether or how the increased revenue from the proposed differential rating categories will promote the current and future interests of the community. The Council assumes firstly that the rating increase will encourage development and secondly that if all vacant land with zoning for development were encouraged to develop in the near future this would promote housing supply and affordability.
- (d) It is submitted that, neither of these assumptions are validated in the Council Consideration Documents. It is usually the case that development is not the cause of growth but rather follows and responds to growth trends. If there is no growth in an area, it is unlikely to be developed. However, when an area experiences significant growth then development within the area occurs as a consequence. It is unreasonable and unjustified to penalise a landowner ratepayer where that person owns land which might be developed for, say, community or recreational or commercial purposes within a greenfield development but there is not yet the market demand for such services to be provided. In that instance a staged long-term approach is often more appropriate and will lead to better integrated and well considered planning outcomes.

9.2 *Significant decisions under section 77 LGA*

- (a) Council has correctly recognised the proposed amendments as being a 'significant decision' in accordance with its Significance and Engagement Policy and in accordance with section 76AA of the LGA.
- (b) Significant decisions must be made in accordance the factors in sections 76-79 of the LGA in addition to general common law principles of good judicial decision-making. The relevant sections of the LGA are set out below;

*"77 Requirements in relation to decisions*

*(1) A local authority must, in the course of the decision-making process,—*

*(a) seek to identify all reasonably practicable options for the achievement of the objective of a decision; and*

*(b) assess the options in terms of their advantages and disadvantages; and*

*(c) if any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga.*

*(2) This section is subject to section 79".*

....

*"79 Compliance with procedures in relation to decisions*

*(1) It is the responsibility of a local authority to make, in its discretion, judgments—*

*(a) about how to achieve compliance with sections 77 and 78 that is largely in proportion to the significance of the matters affected by the decision as determined in accordance with the policy under section 76AA; and*

*(b) about, in particular,—*

*(i) the extent to which different options are to be identified and assessed; and*

*(ii) the degree to which benefits and costs are to be quantified; and*

*(iii) the extent and detail of the information to be considered; and*

*(iv) the extent and nature of any written record to be kept of the manner in which it has complied with those sections." ...*

- (c) Council has not complied with the above provisions adequately. The only assessment in terms of section 77 options appears to be contained within the Council's Report for Agenda item 3 dated 24 March 2016 which considers only two options, one option being to consider the Funding and Rates Review report 2016 and to consult on the recommendations, and the other being to not consider the Report and not consult. There appears to be no quantified analysis as to options, benefits and costs of the substantive amendments themselves.

### 9.3 *Procedural impropriety*

- (a) Because of the above identified inconsistencies with the proposal in accordance with the LGA, it is submitted that the proposed definition changes, if included in the Funding Impact Statement, would be an illegitimate decision due to procedural impropriety. The mandatory considerations of the LGA do not appear to have been either expressly or impliedly addressed within the supporting documents for the proposed changes.

### 10. **Cardrona Alpine Resort Limited seeks the following relief:**

- (a) That the proposed changes to the differential rating categories of '*Vacant Sections*' and '*Primary Industries*' are not included in the QLDC Funding Impact Statement; **OR**
- (b) If the proposed changes to the definitions of *Vacant Sections* and *Primary Industries* are included in the QLDC Funding Impact Statement then the definitions should be appropriately refined so as to exclude land categories identified within this Submission that are not appropriate to be categorised as *Vacant Sections*; and

- (c) Any consequential alternative or necessary relief to address the concerns identified within this Submission.

11. **Cardrona Alpine Resort Limited wishes to be heard in support of this Submission.**
12. **If others wish to make a similar submission, the CARL would be prepared to consider presenting a joint case with them at the hearing of the Draft Annual Plan 2016-17.**



.....  
Cardrona Alpine Resort Limited  
By its duly authorised agents  
ANDERSON LLOYD  
Per: W P Goldsmith / R E Hill  
Date: 29 April 2016

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## **FUNDING & RATES REVIEW REPORT 2016**

### **BACKGROUND**

Queenstown Lakes District Council (QLDC) last undertook a comprehensive review of the Funding Policy and Rating system during the 2011/12 year. QLDC has previously given a commitment that the funding/rating system would be reviewed on a three yearly basis. Normally, this review would have been undertaken as part of the Long Term Plan (LTP) process but was deferred for one year because of the need to focus on the implementation of new corporate software for the whole organisation during 2014/15.

New district-wide rating valuations came into effect from 1<sup>st</sup> July 2015 and the new LTP was adopted at the same time. It was therefore considered timely to instigate a funding/rating review during the 2015/16 year, which will have effect for the 2016/17 year.

The review was conducted by a working group made up of elected members supported by the Chief Financial Officer. This report summarises the recommended changes with the full Council having the final determination on any amendments to the Revenue and Financing Policy and the structure of the rating system.

### **SIGNIFICANCE OF DECISION**

The items covered by this report are considered to be significant under QLDC's Significance and Engagement Policy. It was recognised that any proposed changes to the Rates system or Revenue and Financing Policy would need to be incorporated into the draft Annual Plan for 2016/17 which is then subject to public consultation. The proposals to increase fees and charges for consenting activities under the Resource Management Act or Building Act, and for any fees and charges set under by-laws (i.e. Waterways), will require a separate dedicated report to Council and provides for a second formal opportunity to consult with ratepayers.

### **CONSULTATION - INTERESTED OR AFFECTED PERSONS**

The proposed changes to the Rates system or Revenue and Financing Policy will be incorporated into the Consultation Document for 2016/17 which is subject to public consultation. The proposals to increase fees and charges for consenting activities under the Resource Management Act or Building Act, and for any fees and charges set under by-laws (i.e. Waterways), will require use of the special consultative procedure. This will occur at a subsequent Council meeting.

### **RELEVANT COUNCIL POLICIES**

The following policy documents have been considered in the preparation of this report:

- The Revenue and Financing Policy (2012-22 LTP)
- Funding Impact Statement (2012-22 LTP)

### **REVIEW PROCESS**

From the outset, the importance of maintaining a structured approach to the review was recognised. For this reason, the review commenced with an overview of the current system

including the statutory framework and the relationship between the Revenue and Financing Policy and the Rating system.

The Revenue and Financing Policy indicates which funding tools are most appropriate for any given activity. Most of the focus for this part of the review was on those activities where funding targets are not being met. This is the first review since the amalgamation of Lakes Environmental and Lakes Leisure with QLDC in 2013/14.

The following activities have been reviewed in detail:

- Animal Control
- By-Law Enforcement
- Environmental Health
- Alcohol Licensing
- Waterways Facilities
- Waterways Control
- Building Control
- Resource Consents
- Aquatics

Generally, the review has resulted in changes to funding targets with some fee increases proposed for Animal Control (including dog registration); Environmental Health (including charges for food premises); Waterways; Resource Consents (including a review of staff charge out rates) and Aquatics (including pool charges).

From here, the following rates issues were considered:

- Rating of Residential Flats
- EECA proposal for Voluntary Targeted Rate for Residential insulation
- Rating of Land zoned for development but used as Primary Industry

These issues have arisen as a result of public submissions in the past 4 years or as a result of political concern. In summary, the report recommends a change in policy for the application of fixed charge rates on Residential Flats which will result in a reduction in rates for these properties. The report does not recommend the introduction of a Voluntary Targeted Rate for Residential insulation until the demand for this type of tool is better understood.

The report recommends a change in policy for the application of rates on Land zoned for development but used as Primary Industry, which will result in an increase in rates for these properties. These properties will be rated according to the underlying zoning rather than the current use (i.e. farming).

Finally, it has been necessary to evaluate the impacts of any proposed changes by recalculating the 2015/16 rates using the new proposals.

## **PROPOSED CHANGES TO THE QLDC FUNDING/RATING SYSTEM**

### **Guiding Principles**

The guiding principles that were adopted during previous reviews were endorsed:

- ♦ equity, i.e. as far as possible the system should be fair to all ratepayers.
- ♦ transparency, i.e. the system should be able to be understood by ratepayers and all activities within it should be clear for all to observe.



- ◆ enforceability, i.e. the system should be administratively simple to operate and able to be complied with,
- ◆ The rating system should deliver allocations of costs that are justifiable.
- ◆ Those who benefit from QLDC services (including secondary beneficiaries) should contribute to costs.
- ◆ The rating system should be consistent with QLDC's objectives, so that desired outcomes are complemented or advanced.

## **Revenue and Financing Policy**

Section 102 (2) of the Local Government Act 2002 requires each Council to adopt a Revenue and Financing Policy.

Section 103 outlines that this Policy must state the Council's policies in respect of the funding of both operating expenses and capital expenditure from listed sources, with the sources as outlined in section 103(2) being:

- a) *General rates including:*
  - (i) *choice of valuation system; and*
  - (ii) *differential rating; and*
  - (iii) *uniform annual general charges;*
- b) *targeted rates;*
- ba) *lump sum contributions;*
- c) *fees and charges;*
- d) *interests and dividends from investments;*
- e) *borrowing;*
- f) *proceeds from asset sales;*
- g) *development contributions;*
- h) *financial contributions under the Resource Management Act 1991;*
- i) *grants and subsidies;*
- j) *any other source.*

Section 101 (3) (b) states that in identifying the appropriate sources Council must consider the overall impact of any allocation of liability for revenue needs on the community. Council must also consider with regards to each activity to be funded:

- a) *the community outcomes to which the activity primarily contributes; and*
- b) *the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and*
- c) *the period in or over which those benefits are expected to occur; and*
- d) *the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and*
- e) *the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.*

## **Revenue and Financing Policy: Funding Issues**

A number of issues relating to the Revenue and Financing Policy in relation to the funding of particular activities were investigated. Most of the focus for this part of the review was on those activities where funding targets are not being met. This is the first review since the amalgamation of Lakes Environmental and Lakes Leisure with QLDC in 2013/14.

The following activities have been reviewed in detail:

- Animal Control
- By-Law Enforcement
- Environmental Health
- Alcohol Licensing
- Waterways Facilities
- Waterways Control
- Building Control
- Resource Consents
- Aquatics

### **Animal Control**

This activity deals primarily with the control of dogs in the district. The numbers of dogs and dog related complaints and incidents have increased over recent years. The annual cost associated with the activity is around \$423k per annum. The current private funding target is 55% with a forecast recovery of 57% from user fees for 2015/16.

The recommendation is to adjust the funding target to reflect an increased recovery from dog owners. The proposed private funding target has increased to 70% (up from 55%). The expected impact of the change is an increase in user charge revenue of around 30% (\$72k). If adopted, this will result in an increase to most current dog registration and impounding fees.

The proposed fees for 2016/17 are included in appendix A (attached). For example, the registration fee for a de-sexed pet dog (inclusive of available discounts) will rise from \$50 to \$55 (increase of 10%).

The level of increase in the proposed fees varies to reflect the service demands regarding dog control. For example, there are very few issues relating to working dogs, however, there are considerable demands from roaming whole dogs (not de-sexed), which are causing problems in our community such as attacks and getting into rubbish. The draft Annual Plan budget for 2016/17 includes a proposed increase in resourcing for this activity (up 0.5 FTE) due to the increase in activity (roaming dogs & dog attacks).

### **By-law and General Enforcement**

This activity deals primarily with the enforcement of consent conditions and by-laws in the district. The largest impact on this activity in recent years has been the introduction and enforcement of freedom camping rules. The annual cost associated with the activity is around \$718k per annum. The current private funding target is 30% with a forecast recovery of 39% from infringements and user fees for 2015/16.

The recommendation is to adjust the funding target to reflect the current recovery from freedom camping infringements. The proposed private funding target has increased to 40% (up from 30%). The expected impact of the change is that the revised target will be met if the collectability of freedom camping infringements is improved by 30%. This will result in a continuation of the initiatives to ensure that freedom camping fines are paid before overseas

offenders leave the country. It is recognised that if enforcement activities result in increased compliance, then revenue (from infringements) will decrease and the increased funding target will not be met.

### Environmental Health

This activity deals primarily with the inspection and licensing of registered premises in the district. The introduction of new Food Act 2014 (from 1<sup>st</sup> March 2016) will have a significant impact on this activity as business owners are required to comply with the new rules. The annual cost associated with the activity is around \$501k per annum.

The current economic benefit assessment is as follows: Private 45%; Public 50% and Exacerbator 5%. The proposed change reflects a higher private benefit to the business operator and a higher exacerbator factor which reflects the time and cost incurred in following up on non-compliance. The proposed economic benefit assessment is as follows: Private 60%; Public 30% and Exacerbator 10%.

The current private funding target is 50% with a forecast recovery of 38% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect an increased recovery from the owners of registered premises. The proposed private funding target has increased to 70% (up from 50%).

The expected impact of the change is an increase in user charge revenue of 75% (\$147k). If adopted, this will result in an increase to most current premises registration, inspection and auditing fees. The proposed fees for 2016/17 are included in appendix A (attached). For example, the verification fee for a food premise will rise from 26% to 155% depending on the size and category of the business.

The new fees reflect the estimated time spent by officers to administer the new legislation and take into account the additional time required to be spent in larger premises or with those not complying with the rules.

The draft Annual Plan budget for 2016/17 includes a proposed change to FTE allocation for this activity; up to 2.4 (up from 1.75 in the LTP) to reflect the actual time utilisation of the 3 existing Environmental Health Officers.

### Alcohol Licensing

This activity deals primarily with the inspection, monitoring and licensing of premises selling alcohol in the district. The introduction of new legislation has had a significant impact on this activity as business owners are required to comply with the new rules. The annual cost associated with the activity is around \$670k per annum. The current economic benefit assessment is as follows: Private 50%; Public 25% and Exacerbator 25%. The proposed change reflects a higher private benefit to the business operator and a slightly lower exacerbator factor which reflects the time and cost incurred in assisting licensees with their legal obligations; the application process; information to be provided and following up on non-compliance. The proposed economic benefit assessment is as follows: Private 60%; Public 30% and Exacerbator 10%.

The current private funding target is 60% with a forecast recovery of 85% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect the existing levels of recovery from the applicants. The proposed private funding target has increased to 70% (up from 60%). There is no expected impact on current user charge revenue as a result of the change.

The draft Annual Plan budget for 2016/17 includes a proposed increase in resourcing for this activity (up 2.0 FTE) due to the increasing workload. This will ensure that service levels are

improved and that QLDC meets all of its statutory obligations in this area. There is no impact on user charges as these changes can be funded from existing revenue.

The draft Annual Plan budget for 2016/17 also includes a proposed change to FTE allocation for this activity; to 0.6 (down from 1.25 in the LTP) to reflect the actual time utilisation of the 3 existing Environmental Health Officers.

### Waterways Facilities

This activity deals primarily with the provision, and maintenance of Council owned waterways assets (ramps, jetties, marinas) in the district. The current private funding target is 40% with a forecast recovery of 17% from user fees for 2015/16.

The recommendation is to investigate the introduction of a broader based "waterways fee" for all users of waterways assets (ramps, jetties, navigation aids etc.). This will require a change to regulations to allow infringements to be issued for non-compliance. The expected impact of such a change is to increase revenue by 235% (\$56k).

### Waterways Control

This activity deals primarily with the promotion and enforcement of safe use of the waterways in the district. The annual cost associated with the activity is around \$410k per annum. The current private funding target is 35% with a forecast recovery of 29% from user fees for 2015/16.

The recommendation is to review the fees set under the by-law to provide greater simplicity and to return to an annual fee regime. The expected impact of such a change is to increase revenue by 20% (\$24k).

### Building Control

This activity deals with all aspects of the building consent process, including the processing of applications; public enquiries; issuing consents and the inspection of building works in the district. The annual cost associated with the activity is around \$3.06m per annum.

The current economic benefit assessment is as follows: Private 90%; Public 5% and Exacerbator 5%. The proposed change reflects a lower private benefit to the applicant and a higher exacerbator factor which reflects the time and cost incurred in managing weather-tightness claims. The proposed economic benefit assessment is as follows: Private 80%; Public 5% and Exacerbator 15%.

The current private funding target is 95% with a forecast recovery of 81% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect the existing levels of recovery from the applicants. The proposed private funding target has decreased to 80% (down from 90%). There is no expected impact on current user charge revenue as a result of the change.

### Resource Consent Administration

This activity deals with all aspects of the resource consent process, including the processing of applications; public enquiries; issuing and monitoring of consents. The annual cost associated with the activity is around \$4.26m per annum. The current economic benefit assessment is as follows: Private 90%; Public 10% and Exacerbator 0%. The proposed change reflects a lower private benefit to the applicant and a higher public factor which reflects

the time and cost incurred in managing appeals and objections. The proposed economic benefit assessment is as follows: Private 80%; Public 20% and Exacerbator 0%.

The current private funding target is 90% with a forecast recovery of 64% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect a lower percentage recovery from user fees. The proposed private funding target has decreased to 80% (down from 90%). However, the current actual recovery percentage is only 64%. In order to achieve 80% recovery, a review of internal processes for recovering costs will be necessary. This will include a review of current fees and charges (including charge-out rates) and a review of the system for managing the cost of public enquiries.

The expected impact of the change is an increase in user charge revenue of 24% (\$660k). If adopted, this will result in an increase in the cost of most resource consent applications. The proposed charge-out rates and other charges made under the Resource Management Act will be considered by Council at the 28 April meeting. Any proposal to change these fees will require the special consultative procedure.

### Aquatics

This activity deals with the provision of indoor aquatic centres in the district. The annual cost associated with Alpine Aqualand is around \$2.69m per annum. The current private funding target is 60% with a forecast recovery of 53% from user fees for 2015/16.

The recommendation is to retain the funding target and to review admission charges in order to meet the 60% cost recovery. The expected impact of the change is an increase in user charge revenue of 13% (\$136k).

If adopted, this will result in an increase to some aquatic user fees. The proposed fees for 2016/17 are included in appendix A (attached). The proposed changes to some aquatic user fees have been recommended as a result of benchmarking our current fees to those in other districts. The existing \$2.00 fee for use of the hydro-slide for example is well below most other centres.

## **FIXED CHARGE RATES FOR RESIDENTIAL FLATS**

### Background

As part of the review process the working party considered rating issues raised through the submission process for the LTP and Annual Plans since 2012. There were a number of submissions relating to the current policy as regards the application of fixed charge rates to residential flats.

The common theme of these submissions is that it is not equitable to apply fixed charge rates at the full rate to residential flats. It is suggested that the policy should provide recognition of the following:

- Residential flats are smaller than dwellings (less demand on services)
- There is a shortage of rental accommodation and residential flats could ease the problem
- The current rating policy is a disincentive to residential flats because its application means that a residential flat will pay more than the same space used for visitor accommodation (through Mixed Use rates).

Fixed Charge Rates are applied on the basis of each “separately used or inhabited part” (SUIP) of a rating unit and each Council is required to have its own policy position as to how this applies. The current QLDC position is as follows:

### **Definition of “Separately Used or Inhabited Parts of a Rating Unit”**

Where rates are calculated on each separately used or inhabited part of a rating unit, the following definitions will apply:

- Any part of a rating unit that is used or occupied by any person, other than the ratepayer, having a right to use or inhabit that part by virtue of a tenancy, lease, licence, or other agreement.
- Any part or parts of a rating unit that is used or occupied by the ratepayer for more than one single use.

The following are considered to be separately used parts of a rating unit:

- Individual flats or apartments
- Separately leased commercial areas which are leased on a rating unit basis
- Vacant rating units
- Single rating units which contain multiple uses such as a shop with a dwelling or commercial activity with a dwelling
- A residential building or part of a residential building that is used, or can be used as an independent residence.

An independent residence is defined as a liveable space with its own kitchen, living and toilet/bathroom/laundry facilities that can be deemed to be a secondary unit to the main residence. Note: the definition of a kitchen comes from the District Plan.

The following are not considered to be separately used parts of a rating unit:

- A residential sleep-out or granny flat that does not meet the definition of an independent residence
- A hotel room with or without kitchen facilities
- A motel room with or without kitchen facilities
- Individual storage garages/sheds/portioned areas of a warehouse
- Individual offices or premises of business partners.

#### **District Plan definition of a Kitchen:**

Means any space, facilities and surfaces for the storage, rinsing preparation and/or cooking food, the washing of utensils and the disposal of waste water, including a food preparation bench, sink, oven, stove, hot-plate or separate hob, refrigerator, dish-washer and other kitchen appliances.

Clearly, residential flats are a SUIP under the policy and as such receive a full set of fixed charge rates at the full residential rate. The following rates are charged on a fixed amount basis:

Uniform Annual General Charge	\$86.00
Sports, Halls & Libraries Annual Charge	\$324.00
Governance & Regulatory Charge	\$71.00
Recreation & Events Charge	\$157.00
Waste Management Charge	\$136.00
Aquatic Centre Charge	\$95.00 (Wakatipu/Arrowtown only)
Water Supply Charge	\$180.00 to \$750.00 (depending on location)
Sewerage Charge	\$370.00 to \$650.00 (depending on location)

This means that for any dwelling in Queenstown, the total fixed charge rates amount to \$1,509 per annum. For a property with a median value of around \$670,000, fixed charge rates make up 60% of the total rates paid for the property (\$2,497).

If this same property included a residential flat, the total rates payable would increase by \$1,509 per annum to \$4,006; an increase of over 60%. If this same property with a flat, was registered as homestay, the total rates payable (as mixed use) would increase by \$700 per annum to \$3,197; an increase of 28%.

There is a clear inequity with regard to the relative rates payable between the two uses. In order to eliminate the discrepancy, it is proposed that a differential be introduced for a new rating category: Dwelling plus Residential Flat. The differential will apply to the following rate types:

Sports, Halls & Libraries Annual Charge	x1.4
Governance & Regulatory Charge	x1.4
Recreation & Events Charge	x1.4
Waste Management Charge	x1.4
Aquatic Centre Charge	x1.4

This effectively means that the Residential flat is charged at the rate of 40% of a dwelling for these differentially set targeted rates. The justification for this lies in the proportional use of services applicable to an average flat. The relative size of a residential flat to an average dwelling suggests a factor of 0.3 to 0.6 is appropriate.

The UAGC must be charged in full to each SUIP and it is recommended to use the existing 50% charges available for Water and Sewerage.

The impact of this proposal will be to reduce rates for dwellings with residential flats by around 20%. Using the example above, the revised rates will be \$3,178 (down from \$4,006) which is a decrease of 20.6%. This revised amount is also slightly less than the amount paid under mixed use (Homestay – short term).

The impact of the proposal will result in a transfer of rates incidence away from Residential Flats and to all other rating categories. It is expected that approximately \$140,000 of rates will need to be re-allocated. This will have a minor impact with Residential ratepayers picking up an additional \$15-20 per year per property, for example.

### **VOLUNTARY TARGETED RATE (EECA)**

QLDC received a submission from the Energy Efficiency and Conservation Authority (EECA) requesting that QLDC consider the introduction of a Voluntary Targeted Rate (VTR) to support the greater uptake of energy efficiency measures such as insulation or heating.

The matter was deferred to the Funding Review process for consideration. There are 11 other councils who have adopted VTR schemes. Most of these did so in conjunction with the central government scheme “Warm up New Zealand” which targeted assistance to low income homes from 2009 to 2013.

The VTR scheme is designed to be cost neutral to councils. Insulation is only provided to individual ratepayers who request it and who are willing to pay back the cost over a 9 to 10 year period. Typically, councils will set a cap on the amount of funding available each year and also on the amount each household can obtain as a VTR.

The panel supported the concept of the VTR but were concerned that there may not be the demand for such a scheme within the district. This is due to the cessation of the central government grant programme in 2013 and also due to the recent introduction of the joint initiative between the Central Lakes Trust and EECA to improve insulation in homes built before 2000 worth \$300,000.

The introduction of a Voluntary Targeted Rate for Residential insulation is not recommended at this stage until the demand for this type of tool is better understood.

### **RATING OF UNDEVELOPED LAND WITH ZONING**

The working party has also considered the rating of undeveloped land which is zoned for development. There are numerous examples around the district where rates are applied to the property on the basis of current use (i.e. Primary Industry) but the property has an underlying zoning which supports development.

The rating legislation certainly allows QLDC to differentiate on the basis of existing or proposed zoning (Schedule 2 Local Government (Rating) Act 2002). The objective of any proposal to rate on the basis of zoning rather than current usage will need to be explicit. The following issues were discussed:

- a) Encouraging release of zoned land
- b) Promoting affordability
- c) Recovering “holding costs” incurred by QLDC in relation to infrastructure planning and provision.
- d) Deterring “land banking” by land owners
- e) Avoiding expensive plan changes to enable development elsewhere

The simplest way of introducing this proposed change is to amend the current rating category known as Vacant Sections. The differential description as it appears in QLDC’s Funding Impact Statement is as follows:

#### **3. Vacant Sections (Existing)**

*All rating units which are vacant properties and suitable for development.*

The key phrases to this definition are “vacant properties” and “suitable for development”. This has meant that this definition applies quite narrowly to land that has been subdivided but sits passively awaiting development or sale by the owner. In order to include all undeveloped land which has zoning allowing development, the following definition would apply:

#### **3. Vacant Sections/Zoned Land (Proposed)**

*All rating units which are vacant properties and suitable for development or land zoned for development but used as Primary Industry.*

This approach would rate the land with zoning on the same basis as Vacant Sections. This includes higher differentials for most targeted rates. The impact on properties currently rated as Primary Industry would see the rates increase by 43 to 154% depending on location and connection of services. The average increase for the 11 properties modelled was 86% (total increase of 132k).

If this proposal were to be introduced, the definition of Primary Industry would need to be amended to exclude land with zoning for development.

#### **8. Primary Industry (Proposed)**

*All rating units:*



- *Used exclusively or principally for agricultural or horticultural purposes including dairying, stock fattening, arable farming, share sheep, market gardens, vineyards, orchards, specialist livestock, forestry or other similar uses, or*
- *Which are ten hectares or more in area and located in any of the Rural or Special Zones contained in the Queenstown Lakes District Council's District Plan as at 1 July of the current rating year.*
- *But excluding all properties used as Primary Industry but rated under Category 3 Vacant Sections/Zoned Land.*

However, there are some administration issues with this proposal. The main one relates to the mismatch that often exists between cadastral boundaries and zoning areas. This means that the existing rating unit will often comprise more than one zone. In order to set rates on the zoning, a series of rating divisions or apportionments will be necessary.

## **EFFECTS OF PROPOSED CHANGES TO THE QLDC RATING SYSTEM**

The proposed changes to the Revenue and Financing Policy will result in some changes to fees and charges for 2016/17.

There are revenue increases proposed in the draft budget for the Annual Plan 2016/17 for the following activities: Animal Control (including dog registration) of \$72k (30%); Environmental Health (including charges for food premises) of \$147k (75%); Waterways \$24k (20%); Resource Consents (including a review of staff charge out rates) \$660k (24%) and Aquatics (including pool charges) \$136k (13%).

The following rates issues were considered:

- Rating of Residential Flats
- EECA proposal for Voluntary Targeted Rate for Residential insulation
- Rating of Land Zoned for development but used as Primary Industry

The impact of the proposed changes to rating policy will have a minor impact on rating incidence overall because there are relatively few properties affected. There are just over 200 properties which potentially include a residential flat and which could benefit from the proposal to reduce the incidence of fixed charge rates. If implemented, the negative rate impact on other properties will be minor (i.e. an additional \$15 to \$20 per annum for residential properties).

There are estimated to be fewer than 20 properties which are currently rated as Primary Industry but are zoned for development and which will be impacted by the proposal to rate by zoning instead of usage. If implemented, the positive rate impact on other properties will be minor (i.e. a reduction of \$1 to \$2 per annum for residential properties).

## Appendix A – Proposed Fees for 2016/17

### Animal Control

#### *Annual Dog Registration Fees \*CURRENT\**

Category	Standard Fee (incl GST)	Effective Fencing Reduction	Positive History Reduction	Potential Discounted Fee
Guide/ Companion Dog	Nil	-	-	-
Working Dog	\$35	\$3	\$2	\$30
De-sexed Dog	\$60	\$6	\$4	\$50
Dangerous/ Menacing Dog	\$165	\$10	\$10	\$145
All Other Dogs	\$68	\$4	\$4	\$60

#### *Annual Dog Registration Fees \*PROPOSED\**

Category	Standard Fee (incl GST)	Effective Fencing Reduction	Positive History Reduction	Potential Discounted Fee
Guide/ Companion Dog	Nil	-	-	-
Working Dog	\$70	\$20	\$20	\$30
De-sexed Dog	\$115	\$30	\$30	\$55
Dangerous/ Menacing Dog	\$245	\$40	\$40	\$165
All Other Dogs	\$155	\$40	\$40	\$75

#### *Overall Annual Dog Registration Fee Increase (using Discounted Fee)*

Category	Proposed Increase
Guide/Companion Dog	0%
Working Dog	0%
De-sexed Dog	10%
Dangerous/Menacing Dog	14%
All other Dogs	25%

The proposed fees reflect the changes as per the Revenue and Financing Policy which indicates an increase in user charge revenue to compensate for the increase in dog related complaints and incidents in recent years.

### *Impounding Fees (incl GST)*

	1 <sup>st</sup> Occurrence	2 <sup>nd</sup> Occurrence	3 <sup>rd</sup> Occurrence
<b>Current Fee</b>	\$100	\$160	\$240
<b>Proposed Fee</b>	\$125	\$200	\$300
<b>Proposed Increase</b>	25%	25%	25%

Impounding fees are direct costs to the user on a graduated increase for roaming dogs that are collected. The issue of roaming dogs remains the largest animal related issue in our community, therefore this increase is intended to promote self-compliance by dog owners.

### **Environmental Health**

#### *Registration Fees \*CURRENT\* (incl GST)*

Business Size / Risk Category	Category A	Category B	Category C	Category D
<b>Level 1</b>	\$285	\$315	\$355	\$405
<b>Level 2</b>	\$320	\$350	\$390	\$440
<b>Level 3</b>	\$375	\$405	\$445	\$495
<b>Level 4</b>	\$485	\$515	\$555	\$605

Food Control Plans      \$350 flat rate (incl GST)

#### *Verification Fees \*PROPOSED\* (incl GST)*

Business Size / Risk Category	Category A	Category B	Category C	Category D
<b>Level 1</b>	\$360	\$540	\$720	\$900
<b>Level 2</b>	\$540	\$720	\$900	\$1080
<b>Level 3</b>	\$720	\$900	\$1080	\$1260
<b>Level 4</b>	\$900	\$1080	\$1260	\$1440

### *Food Control Plans and National Programmes*

Registration is a straightforward administrative task therefore it is proposed that registration is free to encourage self-compliance. A new \$450 infringement for not registering will apply as set by statute.

### *Proposed Increase*

<b>Business Size / Risk Category</b>	<b>Category A</b>	<b>Category B</b>	<b>Category C</b>	<b>Category D</b>
<b>Level 1</b>	26%	71%	103%	122%
<b>Level 2</b>	69%	105%	131%	145%
<b>Level 3</b>	92%	122%	143%	155%
<b>Level 4</b>	86%	110%	127%	138%

The proposed fees incorporate the changes required by the Revenue and Financing Policy and reflect the time to undertake an audit of a food business, which is dependent on the size of the operation and the level of risk associated with the food being prepared.

The business size classifications are outlined below:

- Level 1 – Small business (National Programme 1)
- Level 2 – Medium size business (National Programme 2 or 3)
- Level 3 – Large size business (Food Control Plan)
- Level 4 – Very large business (Food Control Plan)

### *New Premises Fees (incl GST)*

<b>Level</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Level 1</b>	\$615	\$720	17%
<b>Level 2</b>	\$650	\$900	38%
<b>Level 3</b>	\$705	\$1080	53%
<b>Level 4</b>	\$815	\$1260	55%

The proposed fees reflect the time to assist and process new operators pursuant to the Food Act 2014 which came into effect on 1 March 2016.

### **Aquatics**

#### *Casual Fees (incl GST)*

<b>Category</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Adult</b>	\$8.00	\$8.00	0%
<b>Child</b>	\$3.00	\$4.00	33%
<b>Beneficiary/Senior</b>	\$4.50	\$4.50	0%
<b>Hydroslide</b>	\$2.00	\$5.00	150%

#### *3 Months Pre-Paid (incl GST)*

<b>Category</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Adult</b>	\$129	\$169	31%
<b>Child</b>	\$49	\$59	20%
<b>Beneficiary/Senior</b>	\$59	\$79	34%

*6 Months Pre-Paid (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$219	\$270	23%
Child	\$89	\$109	22%
Beneficiary/Senior	\$109	\$129	18%
Family	\$399	\$429	8%

*12 Months Pre-Paid (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$329	\$399	21%
Child	\$139	\$179	29%
Beneficiary/Senior	\$169	\$209	24%
Family	\$659	\$709	7%

*6 Month Direct Debit (monthly fee) (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$9.00	\$11.00	22%
Child	\$4.00	\$5.00	25%
Beneficiary/Senior	\$5.00	\$6.00	20%
Family	\$16.50	\$19.00	15%

*12 Month Direct Debit (monthly fee) (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$7.00	\$9.00	29%
Child	\$3.00	\$4.00	33%
Beneficiary/Senior	\$3.50	\$4.50	29%
Family	\$13.50	\$16.00	19%

The proposed fees reflect the changes as per the Revenue and Financing Policy which indicates an increase in user charge revenue via admission charges in order to meet the existing funding target.



"B"

New Zealand Legislation

# Local Government (Rating) Act 2002

• with search matches highlighted

## Schedule 2

ss 14, 17

### Matters that may be used to define categories of rateable land

- 1 The use to which the land is put.
- 2 The activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative district plan or regional plan under the Resource Management Act 1991.
- 3 The activities that are proposed to be permitted, controlled, or discretionary activities, and the proposed rules for the area in which the land is situated under a proposed district plan or proposed regional plan under the Resource Management Act 1991, but only if—
  - (a) no submissions in opposition have been made under clause 6 of Schedule 1 of that Act on those proposed activities or rules, and the time for making submissions has expired; or
  - (b) all submissions in opposition, and any appeals, have been determined, withdrawn, or dismissed.
- 4 The area of land within each rating unit.
- 5 The provision or availability to the land of a service provided by, or on behalf of, the local authority.
- 6 Where the land is situated.
- 7 The annual value of the land.
- 8 The capital value of the land.
- 9 The land value of the land.

# TE ANAU DEVELOPMENTS LIMITED HILL, ROSIE

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## REVENUE AND FINANCING POLICY

Please see attached document

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## RATING POLICY

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## DEVELOPMENT CONTRIBUTION POLICY

## Submission on Queenstown Lakes District Council Annual Plan 2016-17

**To:** Queenstown Lakes District Council  
PO Box 50072  
Queenstown 9348

**Name of Submitter:** Te Anau Developments Limited ("TADL")  
(c/- Warwick Goldsmith/ Rosie Hill)  
Mobile: 021 220 8824  
E: warwick.goldsmith@andersonlloyd.co.nz / rosie.hill@andersonlloyd.co.nz  
Postal address: PO Box 201, Queenstown 9348

### 1. Introduction

- 1.1 This is a submission on behalf of TADL ("**Submitter**") on the Queenstown Lakes District Council ("**Council**") Draft Annual Plan 2016-17 supporting document ("**Draft Annual Plan**").
- 1.2 The Submitter owns all of the land located within the Walter Peak Rural Visitor Zone adjoining Beach Bay, the Mount Nicholas-Beach Bay Road and the shores of Lake Wakatipu ("**the Property**"). The Property is zoned Rural Visitor under the Operative District Plan (the Rural Visitor zone is not subject to Stage 1 of the District Plan Review).
- 1.3 The Submitter is a ratepayer within the Queenstown Lakes District.
- 1.4 The specific issues of the Draft Annual Plan which this Submission relates to are the proposed changes to the differential rating system used by the Council and as identified in its Funding Impact Statement.
- 1.5 This submission has been structured in two sections:
  - Specific submission in respect of the Submitter's Property;
  - General submission on behalf of the Submitter.

### 2. Specific Submission

- 2.1 The Submission is as follows:
  - (a) The Property is zoned Rural Visitor. The Special Zones Chapter 12 of the ODP provides that Buildings are a controlled activity subject to site and zone standards and Visitor Accommodation is a permitted activity.
  - (b) Whilst there is potential for the land to be developed in accordance with its zoning, such development will have to be carefully managed and planned in relation to market demand, particularly given its location and related transport constraints.
  - (c) The Purpose of the Rural Visitor Zone in Chapter 12 of the ODP is as follows:

*"The purpose of the Rural Visitor Zone is to complement the existing range of visitor accommodation opportunities in the District and provide for increased opportunity for people to experience the rural character, heritage and amenity of the rural area. The Zone provides for a range of accommodation, entertainment, cultural and recreational activities."*



*The Rural Visitor Zone applies to areas of land which are recognised as having visitor interest, are isolated from town centres and can make a significant contribution to the range of accommodation and activities available within the District".*

- (d) The Zone does not specifically anticipate residential activity, and even if the land were developed in accordance with the Zone provisions it would not relieve the pressure of housing affordability and supply within the District.

- 2.2 The Submitter comments on the Council's five intended objectives, as they relate to the Submitter's land.

*Encouraging release of zoned land*

- 2.3 The Submitter has owned the land for a reasonable period of time with the intention of implementing a considered and well-designed development of the land in the future. The proposed rating increase will not encourage earlier development of the land.

*Promoting affordability*

- 2.4 The Submitter's land is not zoned for entry level housing or for the residential market. It has unique and special characteristics which are primarily relevant to visitors to the Queenstown Lakes District. The land is certainly capable of future development, but probably not residential development and not to provide affordable living options.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

- 2.5 The Submitter is already paying rates in respect of the Property which is mostly entirely undeveloped and makes little use of Council services. The Consultation Documents do not provide any analysis establishing whether or not the Council is already adequately reimbursed for any holding costs relevant to the Property in relation to existing infrastructure.

*Deterring "landbanking" by landowners*

- 2.6 Development of the Walter Peak Rural Visitor Zone will be dependent upon a wide range of factors, but particularly including the extent of national and international visitor arrivals into Queenstown. The Submitter does not consider it in any way reasonable for Council to consider that this land is being 'landbanked'.

*Avoiding expensive plan changes to enable development elsewhere*

- 2.7 The District contains extensive areas of land zoned for visitor accommodation, including all of the High Density Residential zoned land. The Consultation Documents do not contain any analysis which support any likelihood of the Council having to undertake expensive plan changes elsewhere as a result of the Submitter's Property not being developed.

- 2.8 **Relief Requested** – The Submitter requests the following relief arising from matters detailed in this Submission:

- (a) That the proposed differential rating amendments be abandoned; **OR**
- (b) That the definition of Vacant Section (as now amended) be further amended to exclude land zoned Rural Visitor.

- 3. **Summary of General Submission**

- 3.1 The changes proposed by Council detailed in the Funding Impact Statement through its Annual Plan 2016-17 are **opposed** by DPL because the intended changes are fundamentally flawed. The premise of rates is to generate income for local authorities to provide services

which are then delivered to those rating units. The changes proposed to the definitions of Vacant Sections and Primary Industries to increase income from rates levied against those units is not based upon the provision of additional or extra services to those units. The changes therefore do not serve a legitimate purpose.

- 3.2 The mechanism of instigating this change through the proposed definitions is problematic as it is so broad it potentially captures a huge range of properties within the District, from rural general land which is capable of obtaining discretionary consent to subdivide, to visitor accommodation subzones with controlled activity status for buildings, to residential zoned land which is yet to be built on. The Submitter assumes the latter is the only category intended to be caught by the changes, but that is not the effect of the changes.
- 3.3 In addition to and without derogating from the general reasons above, the Submitter opposes the changes for the following reasons:
- (a) The amendments proposed to the definitions of differential rating categories are ambiguous and do not provide certainty for ratepayers as to the rating status of land;
  - (b) The amendments do not achieve the desired objectives of Council which are relied on to support the amendments;
  - (c) The amendments are not in accordance with Council's Guiding Principles as cited in the Annual Plan;
  - (d) This proposed differential rate is not consistent with the scheme and purpose of the Local Government Act 2002 (Schedule 10) and the Local Government (Rating) Act 2002 (Schedule 2); and
  - (e) The decision to make the proposed definition changes to differential rating categories is not a fair and reasonable decision for the Council to make, and has not been made in accordance with the decision-making requirements of section 77 of the Local Government Act 2002.

#### 4. Definition/Interpretation Problems

- 4.1 The proposed amendments referred to throughout this submission are the proposed definition changes to the differential rating categories known as '*Vacant Sections*' and '*Primary Industries*' contained within the QLDC Funding Impact Statement. The definition changes are proposed as follows (track changes have been included by the submitter as no track changes have been included in the consultation documents).

##### *Vacant Sections/Zoned Land (Proposed)*

*"All rating units which are vacant properties and suitable for development or land zoned for development but used as Primary Industry".*

...

##### *Primary Industry (Proposed)*

*"All rating units:*

- Used exclusively or principally for agricultural or horticultural purposes including dairying, stock fattening, arable farming, share sheep, market gardens, vineyards, orchards, specialist livestock, forestry or other similar uses, or*
- Which are ten hectares or more in area and located in any of the Rural or Special Zones contained in the Queenstown Lakes District Council's District Plan as at 1 July of the current rating year.*

- But excluding all properties used as Primary Industry but rated under Category 3 Vacant Sections/Zoned Land".

4.2 The amendments identified above give rise to the following definition and interpretation problems:

- (a) All land in the district is zoned for development to a greater or lesser degree, ranging from (easy) permitted activity residential development in residential zones through to (difficult) discretionary residential activities in outstanding natural landscapes. Therefore the definition potentially catches all land.
- (b) It is unclear whether the phrase "... used as Primary Industry ..." in both amended sections quoted above is intended to capture just the first bullet point in the definition of Primary Industry or the first and second bullet points. Therefore it is unclear whether the amended provisions are just intended to apply to properties in excess of 10ha which are zoned for development, or whether they are intended to apply to all properties zoned for development regardless of size.

4.3 Given the definition and interpretation problems identified above, it is difficult to see how the Council can make the statement on page 127 of the Annual Plan that "*There are estimated to be fewer than 20 properties which are currently rated as Primary Industry but are zoned for development and which will be impacted by the proposal to rate by zoning instead of usage*". If that statement is in fact true, then it is submitted that the amendments quoted above do not achieve that intention.

4.4 It is submitted that, at the very least:

- (1) The generic phrase "*zoned for development*" should be replaced with reference to specific zonings intended to be captured;
- (2) The amendments should be clarified as to whether the 10ha trigger applies.

## 5. **The amendments do not achieve the desired objectives of Council**

5.1 The Funding and Rates Review Report 2016, which appears to be the main justification for the proposed amendments to the differential rating category definitions is a high-level policy document which fails to assess actual costs and benefits of the proposed changes and lacks real quantitative and qualitative analysis. The Report is not divided into sections and does not include page numbers, but the relevant pages of the Report are attached as "**Appendix A**". The Report does not explain how the amendments will achieve the Council's identified objectives.

### *Encouraging release of zoned land*

5.2 There is no explanation or analysis explaining how the proposed rating increase will encourage the release of zoned land. That would only apply if the economic incentive arising from the rate increase resulted in a development decision that it is preferable to develop and sell the land rather than to continue to incur the rating costs. However the holding cost of rates is a minor factor in any overall decision as to whether to hold or develop land which is able to be developed. There is no evidence or analysis supporting a contention that the proposed rate increase has any reasonable chance of causing a change in decisions about development.

### *Promoting affordability*

5.3 There is no evidence or analysis explaining how the proposed increase in rates will promote the affordability of housing.

*Recovering "holding costs" incurred by QLDC in relation to infrastructure, planning and provision*

- 5.4 Land rated under the Primary Industry category is already paying rates in respect of services which that land either does not use or only uses to a minimal extent (such as roading). There is no explanation or justification as to why the existing Primary Industry rating differential does not already provide adequate reimbursement to Council for any relevant holding costs.
- 5.5 There is no analysis of the "holding costs" which are being referred to. Such "holding costs" relate primarily to infrastructure services such as sewerage and potable water supply. If those are the "holding costs" being referred to, and without taking away from the previous point, the proposed rating differential increase should be limited to land zoned for development located within rating areas where QLDC provides specific infrastructural services such as sewerage and water supply.
- 5.6 This rating change will result in undeveloped land, currently being used for Primary Industry, being levied with a stormwater rate which was not previously levied against such land. No explanation or justification for that change has been provided.

*Deterring "landbanking" by landowners*

- 5.7 The points made above under the heading "*Encouraging release of zoned land*" also apply here. There is no explanation or justification as to how the proposed rating increase will provide economic incentives sufficient to change decisions made about whether or not land should be developed.

*Avoiding expensive plan changes to enable development elsewhere*

- 5.8 No examples have been given of where the Council has incurred any cost in relation to "*expensive plan changes*" as a result of lack of availability of land for development. All recent plan changes providing for housing in particular have been private plan changes and/or public plan changes where private developers have carried the cost. The District Plan Review is an expense Council must incur regardless because of statutory requirements. No justification at all under this heading has been provided.

**6. The amendments are ambiguous and unnecessarily broad**

- 6.1 Schedule 2 of the Local Government (Rating) Act 2002 attached as ("**Appendix B**") sets out the matters that must be used to define categories of rateable land. It is not explicit in the Consultation Documents which category of Schedule 2 is being relied upon, but it is assumed to be subclause 2, given the early stages at which the Proposed District Plan is at. Sub-clause 2 is as follows;

"...

*(2) The activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative district plan or regional plan under the Resource Management Act 1991".*

- 6.2 Without further explanation of the definition change to '*Vacant Sections*', it is assumed that '*zoned for development...*' will include any land within the Operative District Plan which can be 'developed' in accordance with the permitted, controlled, and discretionary activity rules of the rating unit's underlying zone. That covers all land in the District.
- 6.3 The interpretation to be given to that definition, or its intent is not discussed within the Consultation Documents, and the submitter is concerned it will have very wide-ranging

consequences. A definition of 'development' in the Local Government Act 2002 may be of assistance (as it applies to development contributions):

*"development means—*

*(a) any subdivision, building (as defined in section 8 of the Building Act 2004), land use, or work that generates a demand for reserves, network infrastructure, or community infrastructure; but*

*(b) does not include the pipes or lines of a network utility operator"*

- 6.4 The definition of 'development' above is inherently broad and captures land use which essentially means to alter the land in a way that adds monetary value to it. Most development within the Lakes District, regardless of what underlying zoning it has, will be captured by the above definition of 'development'.
- 6.5 The definition of 'Vacant Section' does not appear to discern between types of development or different types of zones, therefore the definition could potentially capture everything from land with underlying commercial zoning with permitted activity status for intensive development, through to land in the Rural General Zone which has discretionary activity status for subdivision and the identification of building platforms.
- 6.6 A Rural General zoned area of land which is over 10 hectares or is currently being farmed, but which could in theory be developed through discretionary applications under the Operative Plan, would potentially be caught within the definition change but would not assist in resolving Council's identified issues such as land banking and increasing housing affordability.
- 6.7 It is assumed the Council's rating policy is not intended to catch the latter scenario and therefore the definition of Vacant Section is unnecessarily broad and ambiguous.
- 6.8 Other examples of this definition change capturing unintended rating units could include;
- (a) Land with underlying rural living development potential such as in the Rural Lifestyle and Rural Residential zones;
  - (b) Special Zones which include Ski Area Subzones/Visitor Accommodation Subzones; and
  - (c) Recently zoned greenfield developments which might have a staged long-term master-planned approach to development in order to meet community and planning needs.
- 6.9 All of the above examples provide significant positive benefits to the community but are not necessarily capable of mitigating a shortage of affordable housing supply or increasing the availability of residential land for residential purposes. Any such definition change to the differential rating categories should therefore exclude the above examples so as to only capture land with appropriate zoning, such as residential zoned land with controlled or permitted activity status for residential development which is serviced by Council infrastructure.

## **7. The amendments are not in accordance with the Guiding Principles**

- 7.1 The Draft Annual Plan Consultation Document, at page 121 States the following Guiding Principles are relevant in proposing changes to the funding/rating system:

*"Guiding Principles*

*The guiding principles that were adopted during previous reviews were endorsed:*

- *equity, i.e. as far as possible the system should be fair to all ratepayers.*

- *transparency, i.e. the system should be able to be understood by ratepayers and all activities within it should be clear for all to observe.*
- *enforceability, i.e. the system should be administratively simple to operate and able to be complied with,*
- *The rating system should deliver allocations of costs that are justifiable.*
- *Those who benefit from QLDC services (including secondary beneficiaries) should contribute to costs.*
- *The rating system should be consistent with QLDC's objectives, so that desired outcomes are complemented or advanced."*

- 7.2 The proposed definition changes are not transparent and enforceable as they are inherently ambiguous. The Consultation Documents provided for public comment lack clarity and detail so as to enable the public to address concerns on the proposal. There is no explanation as to how broad the definition of Vacant Sections is intended to apply and how the wording of that definition change is intended to be interpreted.
- 7.3 As discussed in the preceding section of this submission, it is not clear how 'development' is to be construed and whether this would include all activities capable of obtaining resource consent in all zones, or whether it is intended to apply only to certain activity statuses within certain zones.
- 7.4 The definition change to Vacant Sections which might capture non-residential land is not justifiable as it does not address the issues identified by Council as sought to be remedied by this proposed change. The amendments will create an additional cost atop an already complex land development process in the District. Those landowners already are facing steady increases in costs from Council's development contributions, process charges, and increasing needs for more information as part of development.
- 7.5 Council has also identified the potential complexity and additional cost arising from the proposed definition changes at page 127 of the Draft Annual Plan Consultation Document where it is acknowledged that;

*"However, there are some administration issues with this proposal. The main one relates to the mismatch that often exists between cadastral boundaries and zoning areas. This means that the existing rating unit will often comprise more than one zone. In order to set rates on the zoning, a series of rating divisions or apportionments will be necessary"*

- 7.6 The above scenario is unacceptable where landowners may own a rating unit which contains a very small portion of land with 'zoning for development' and would face an increase in rates despite the reality that development potential of the land is very unlikely.
- 7.7 The additional rating cost does not relate to provision of any additional services. That is fundamentally contrary to at least 2 of the Guiding Principles quoted above.

## 8. **Local Government Act 2002- Rating and Annual Plan requirements**

- 8.1 It is submitted that the changes proposed to the differential rating category definitions contained within the Funding Impact Statement are inherently flawed as they do not accord with the relevant provisions of local government legislation.
- 8.2 Schedule 10 of the Local Government Act 2002 (**LGA**) sets out the mandatory and optional requirements for territorial authorities to include in long-term plans, annual plans, and annual

reports. Clause 20 of Schedule 10 establishes that an annual plan must include a 'funding impact statement' for the year to which the plan relates, and describes the form and contents required for the funding impact statement. Clause 20(3) in particular states the requirements for where rates are to be set differentially as follows;

*"(3) If the sources of funding include a general rate, the funding impact statement must—*

*...*

*(c) state whether the general rate is to be set differentially and, if so,—*

*(i) the categories of rateable land, within the meaning of section 14 of the Local Government (Rating) Act 2002, to be used; and*

*(ii) the objectives of the differential rate, in terms of the total revenue sought from each category of rateable land or the relationship between the rates set on rateable land in each category".*

8.3 Page 126 of the Draft Annual Plan Supporting Document states the following:

*"The rating legislation certainly allows QLDC to differentiate on the basis of existing or proposed zoning (Schedule 2 Local Government (Rating) Act 2002). The objective of any proposal to rate on the basis of zoning rather than current usage will need to be explicit. The following issues were discussed:*

*a) Encouraging release of zoned land*

*b) Promoting affordability*

*c) Recovering "holding costs" incurred by QLDC in relation to infrastructure planning and provision.*

*d) Deterring "land banking" by land owners*

*e) Avoiding expensive plan changes to enable development elsewhere".*

8.4 The above extract appears to be copied from the relevant pages of the Report attached at Appendix A. Neither the Report nor the above 'explanation' from the Draft Annual Plan Support Document identify the objectives of the differential rates in accordance with clause 20 of the LGA, or explain the issues in a meaningful way, despite acknowledging that such an explanation must be 'explicit'.

8.5 A detailed analysis of the above 'issues' is addressed above.

9. **The amendments are not in accordance with fair and reasonable local government decision making**

9.1 *Current and future needs of the community*

(a) Section 101(1) of the LGA sets out an overarching principle for the local authority to consider when setting its revenue and financing policies within its planning instruments, s 101(1) states:

*"(1) A local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community".*

- (b) Although the funding principles set out in the subsequent sub sections of 101 are related to matters to consider when establishing sources of funding for particular activities, the above consideration is overarching for all revenue considerations of Council, including the general rating system.
- (c) There is no evidence in the Annual Plan Supporting Document that the Council has considered whether or how the increased revenue from the proposed differential rating categories will promote the current and future interests of the community. The Council assumes firstly that the rating increase will encourage development and secondly that if all vacant land with zoning for development were encouraged to develop in the near future this would promote housing supply and affordability.
- (d) It is submitted that neither of these assumptions are validated in the Council Consideration Documents. It is usually the case that development is not the cause of growth but rather follows and responds to growth trends. If there is no growth in an area, it is unlikely to be developed. However, when an area experiences significant growth then development within the area occurs as a consequence. It is unreasonable and unjustified to penalise a landowner ratepayer where that person owns land which might be developed for, say, community or recreational or commercial purposes within a greenfield development but there is not yet the market demand for such services to be provided. In that instance a staged long-term approach is often more appropriate and will lead to better integrated and well considered planning outcomes.

## 9.2 *Significant decisions under section 77 LGA*

- (a) Council has correctly recognised the proposed amendments as being a 'significant decision' in accordance with its Significance and Engagement Policy and in accordance with section 76AA of the LGA.
- (b) Significant decisions must be made in accordance the factors in sections 76-79 of the LGA in addition to general common law principles of good judicial decision-making. The relevant sections of the LGA are set out below;

*"77 Requirements in relation to decisions*

*(1) A local authority must, in the course of the decision-making process,—*

*(a) seek to identify all reasonably practicable options for the achievement of the objective of a decision; and*

*(b) assess the options in terms of their advantages and disadvantages; and*

*(c) if any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water, sites, waahi tapu, valued flora and fauna, and other taonga.*

*(2) This section is subject to section 79".*

....

*"79 Compliance with procedures in relation to decisions*



*(1) It is the responsibility of a local authority to make, in its discretion, judgments—*

*(a) about how to achieve compliance with sections 77 and 78 that is largely in proportion to the significance of the matters affected by the decision as determined in accordance with the policy under section 76AA; and*

*(b) about, in particular,—*

*(i) the extent to which different options are to be identified and assessed; and*

*(ii) the degree to which benefits and costs are to be quantified; and*

*(iii) the extent and detail of the information to be considered; and*

*(iv) the extent and nature of any written record to be kept of the manner in which it has complied with those sections." ...*

- (c) Council has not complied with the above provisions adequately. The only assessment in terms of section 77 options appears to be contained within the Council's Report for Agenda item 3 dated 24 March 2016 which considers only two options, one option being to consider the Funding and Rates Review report 2016 and to consult on the recommendations, and the other being to not consider the Report and not consult. There appears to be no quantified analysis as to options, benefits and costs of the substantive amendments themselves.

### 9.3 *Procedural impropriety*

- (a) Because of the above identified inconsistencies with the proposal in accordance with the LGA, it is submitted that the proposed definition changes, if included in the Funding Impact Statement, would be an illegitimate decision due to procedural impropriety. The mandatory considerations of the LGA do not appear to have been either expressly or impliedly addressed within the supporting documents for the proposed changes.

## 10. **The Submitter seeks the following relief:**

- (a) That the proposed changes to the differential rating categories of '*Vacant Sections*' and '*Primary Industries*' are not included in the QLDC Funding Impact Statement; **OR**
- (b) If the proposed changes to the definitions of *Vacant Sections* and *Primary Industries* are included in the QLDC Funding Impact Statement then the definitions should be appropriately refined so as to exclude land zoned Rural Visitor; **AND**
- (c) Any consequential alternative or necessary relief to address the concerns identified within this submission.

11. The Submitter wishes to be heard in support of this Submission.
12. If others wish to make a similar submission, the Submitter would be prepared to consider presenting a joint case with them at the hearing of the Draft Annual Plan 2016-17.



.....  
Te Anau Developments Limited  
By its duly authorised agents  
ANDERSON LLOYD  
Per: W P Goldsmith / R E Hill  
Date: 29 April 2016

**Address for service of Submitter:**

Anderson Lloyd  
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QUEENSTOWN 9348  
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## **FUNDING & RATES REVIEW REPORT 2016**

### **BACKGROUND**

Queenstown Lakes District Council (QLDC) last undertook a comprehensive review of the Funding Policy and Rating system during the 2011/12 year. QLDC has previously given a commitment that the funding/rating system would be reviewed on a three yearly basis. Normally, this review would have been undertaken as part of the Long Term Plan (LTP) process but was deferred for one year because of the need to focus on the implementation of new corporate software for the whole organisation during 2014/15.

New district-wide rating valuations came into effect from 1<sup>st</sup> July 2015 and the new LTP was adopted at the same time. It was therefore considered timely to instigate a funding/rating review during the 2015/16 year, which will have effect for the 2016/17 year.

The review was conducted by a working group made up of elected members supported by the Chief Financial Officer. This report summarises the recommended changes with the full Council having the final determination on any amendments to the Revenue and Financing Policy and the structure of the rating system.

### **SIGNIFICANCE OF DECISION**

The items covered by this report are considered to be significant under QLDC's Significance and Engagement Policy. It was recognised that any proposed changes to the Rates system or Revenue and Financing Policy would need to be incorporated into the draft Annual Plan for 2016/17 which is then subject to public consultation. The proposals to increase fees and charges for consenting activities under the Resource Management Act or Building Act, and for any fees and charges set under by-laws (i.e. Waterways), will require a separate dedicated report to Council and provides for a second formal opportunity to consult with ratepayers.

### **CONSULTATION - INTERESTED OR AFFECTED PERSONS**

The proposed changes to the Rates system or Revenue and Financing Policy will be incorporated into the Consultation Document for 2016/17 which is subject to public consultation. The proposals to increase fees and charges for consenting activities under the Resource Management Act or Building Act, and for any fees and charges set under by-laws (i.e. Waterways), will require use of the special consultative procedure. This will occur at a subsequent Council meeting.

### **RELEVANT COUNCIL POLICIES**

The following policy documents have been considered in the preparation of this report:

- The Revenue and Financing Policy (2012-22 LTP)
- Funding Impact Statement (2012-22 LTP)

### **REVIEW PROCESS**

From the outset, the importance of maintaining a structured approach to the review was recognised. For this reason, the review commenced with an overview of the current system

including the statutory framework and the relationship between the Revenue and Financing Policy and the Rating system.

The Revenue and Financing Policy indicates which funding tools are most appropriate for any given activity. Most of the focus for this part of the review was on those activities where funding targets are not being met. This is the first review since the amalgamation of Lakes Environmental and Lakes Leisure with QLDC in 2013/14.

The following activities have been reviewed in detail:

- Animal Control
- By-Law Enforcement
- Environmental Health
- Alcohol Licensing
- Waterways Facilities
- Waterways Control
- Building Control
- Resource Consents
- Aquatics

Generally, the review has resulted in changes to funding targets with some fee increases proposed for Animal Control (including dog registration); Environmental Health (including charges for food premises); Waterways; Resource Consents (including a review of staff charge out rates) and Aquatics (including pool charges).

From here, the following rates issues were considered:

- Rating of Residential Flats
- EECA proposal for Voluntary Targeted Rate for Residential insulation
- Rating of Land zoned for development but used as Primary Industry

These issues have arisen as a result of public submissions in the past 4 years or as a result of political concern. In summary, the report recommends a change in policy for the application of fixed charge rates on Residential Flats which will result in a reduction in rates for these properties. The report does not recommend the introduction of a Voluntary Targeted Rate for Residential insulation until the demand for this type of tool is better understood.

The report recommends a change in policy for the application of rates on Land zoned for development but used as Primary Industry, which will result in an increase in rates for these properties. These properties will be rated according to the underlying zoning rather than the current use (i.e. farming).

Finally, it has been necessary to evaluate the impacts of any proposed changes by recalculating the 2015/16 rates using the new proposals.

## **PROPOSED CHANGES TO THE QLDC FUNDING/RATING SYSTEM**

### **Guiding Principles**

The guiding principles that were adopted during previous reviews were endorsed:

- ◆ equity, i.e. as far as possible the system should be fair to all ratepayers.
- ◆ transparency, i.e. the system should be able to be understood by ratepayers and all activities within it should be clear for all to observe.

- ◆ enforceability, i.e. the system should be administratively simple to operate and able to be complied with,
- ◆ The rating system should deliver allocations of costs that are justifiable.
- ◆ Those who benefit from QLDC services (including secondary beneficiaries) should contribute to costs.
- ◆ The rating system should be consistent with QLDC's objectives, so that desired outcomes are complemented or advanced.

## **Revenue and Financing Policy**

Section 102 (2) of the Local Government Act 2002 requires each Council to adopt a Revenue and Financing Policy.

Section 103 outlines that this Policy must state the Council's policies in respect of the funding of both operating expenses and capital expenditure from listed sources, with the sources as outlined in section 103(2) being:

- a) *General rates including:*
  - (i) *choice of valuation system; and*
  - (ii) *differential rating; and*
  - (iii) *uniform annual general charges;*
- b) *targeted rates;*
- ba) *lump sum contributions;*
- c) *fees and charges;*
- d) *interests and dividends from investments;*
- e) *borrowing;*
- f) *proceeds from asset sales;*
- g) *development contributions;*
- h) *financial contributions under the Resource Management Act 1991;*
- i) *grants and subsidies;*
- j) *any other source.*

Section 101 (3) (b) states that in identifying the appropriate sources Council must consider the overall impact of any allocation of liability for revenue needs on the community. Council must also consider with regards to each activity to be funded:

- a) *the community outcomes to which the activity primarily contributes; and*
- b) *the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and*
- c) *the period in or over which those benefits are expected to occur; and*
- d) *the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and*
- e) *the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities.*

## **Revenue and Financing Policy: Funding Issues**

A number of issues relating to the Revenue and Financing Policy in relation to the funding of particular activities were investigated. Most of the focus for this part of the review was on those activities where funding targets are not being met. This is the first review since the amalgamation of Lakes Environmental and Lakes Leisure with QLDC in 2013/14.

The following activities have been reviewed in detail:

- Animal Control
- By-Law Enforcement
- Environmental Health
- Alcohol Licensing
- Waterways Facilities
- Waterways Control
- Building Control
- Resource Consents
- Aquatics

### **Animal Control**

This activity deals primarily with the control of dogs in the district. The numbers of dogs and dog related complaints and incidents have increased over recent years. The annual cost associated with the activity is around \$423k per annum. The current private funding target is 55% with a forecast recovery of 57% from user fees for 2015/16.

The recommendation is to adjust the funding target to reflect an increased recovery from dog owners. The proposed private funding target has increased to 70% (up from 55%). The expected impact of the change is an increase in user charge revenue of around 30% (\$72k). If adopted, this will result in an increase to most current dog registration and impounding fees.

The proposed fees for 2016/17 are included in appendix A (attached). For example, the registration fee for a de-sexed pet dog (inclusive of available discounts) will rise from \$50 to \$55 (increase of 10%).

The level of increase in the proposed fees varies to reflect the service demands regarding dog control. For example, there are very few issues relating to working dogs, however, there are considerable demands from roaming whole dogs (not de-sexed), which are causing problems in our community such as attacks and getting into rubbish. The draft Annual Plan budget for 2016/17 includes a proposed increase in resourcing for this activity (up 0.5 FTE) due to the increase in activity (roaming dogs & dog attacks).

### **By-law and General Enforcement**

This activity deals primarily with the enforcement of consent conditions and by-laws in the district. The largest impact on this activity in recent years has been the introduction and enforcement of freedom camping rules. The annual cost associated with the activity is around \$718k per annum. The current private funding target is 30% with a forecast recovery of 39% from infringements and user fees for 2015/16.

The recommendation is to adjust the funding target to reflect the current recovery from freedom camping infringements. The proposed private funding target has increased to 40% (up from 30%). The expected impact of the change is that the revised target will be met if the collectability of freedom camping infringements is improved by 30%. This will result in a continuation of the initiatives to ensure that freedom camping fines are paid before overseas

offenders leave the country. It is recognised that if enforcement activities result in increased compliance, then revenue (from infringements) will decrease and the increased funding target will not be met.

### Environmental Health

This activity deals primarily with the inspection and licensing of registered premises in the district. The introduction of new Food Act 2014 (from 1<sup>st</sup> March 2016) will have a significant impact on this activity as business owners are required to comply with the new rules. The annual cost associated with the activity is around \$501k per annum.

The current economic benefit assessment is as follows: Private 45%; Public 50% and Exacerbator 5%. The proposed change reflects a higher private benefit to the business operator and a higher exacerbator factor which reflects the time and cost incurred in following up on non-compliance. The proposed economic benefit assessment is as follows: Private 60%; Public 30% and Exacerbator 10%.

The current private funding target is 50% with a forecast recovery of 38% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect an increased recovery from the owners of registered premises. The proposed private funding target has increased to 70% (up from 50%).

The expected impact of the change is an increase in user charge revenue of 75% (\$147k). If adopted, this will result in an increase to most current premises registration, inspection and auditing fees. The proposed fees for 2016/17 are included in appendix A (attached). For example, the verification fee for a food premise will rise from 26% to 155% depending on the size and category of the business.

The new fees reflect the estimated time spent by officers to administer the new legislation and take into account the additional time required to be spent in larger premises or with those not complying with the rules.

The draft Annual Plan budget for 2016/17 includes a proposed change to FTE allocation for this activity; up to 2.4 (up from 1.75 in the LTP) to reflect the actual time utilisation of the 3 existing Environmental Health Officers.

### Alcohol Licensing

This activity deals primarily with the inspection, monitoring and licensing of premises selling alcohol in the district. The introduction of new legislation has had a significant impact on this activity as business owners are required to comply with the new rules. The annual cost associated with the activity is around \$670k per annum. The current economic benefit assessment is as follows: Private 50%; Public 25% and Exacerbator 25%. The proposed change reflects a higher private benefit to the business operator and a slightly lower exacerbator factor which reflects the time and cost incurred in assisting licensees with their legal obligations; the application process; information to be provided and following up on non-compliance. The proposed economic benefit assessment is as follows: Private 60%; Public 30% and Exacerbator 10%.

The current private funding target is 60% with a forecast recovery of 85% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect the existing levels of recovery from the applicants. The proposed private funding target has increased to 70% (up from 60%). There is no expected impact on current user charge revenue as a result of the change.

The draft Annual Plan budget for 2016/17 includes a proposed increase in resourcing for this activity (up 2.0 FTE) due to the increasing workload. This will ensure that service levels are

improved and that QLDC meets all of its statutory obligations in this area. There is no impact on user charges as these changes can be funded from existing revenue.

The draft Annual Plan budget for 2016/17 also includes a proposed change to FTE allocation for this activity; to 0.6 (down from 1.25 in the LTP) to reflect the actual time utilisation of the 3 existing Environmental Health Officers.

### Waterways Facilities

This activity deals primarily with the provision, and maintenance of Council owned waterways assets (ramps, jetties, marinas) in the district. The current private funding target is 40% with a forecast recovery of 17% from user fees for 2015/16.

The recommendation is to investigate the introduction of a broader based "waterways fee" for all users of waterways assets (ramps, jetties, navigation aids etc.). This will require a change to regulations to allow infringements to be issued for non-compliance. The expected impact of such a change is to increase revenue by 235% (\$56k).

### Waterways Control

This activity deals primarily with the promotion and enforcement of safe use of the waterways in the district. The annual cost associated with the activity is around \$410k per annum. The current private funding target is 35% with a forecast recovery of 29% from user fees for 2015/16.

The recommendation is to review the fees set under the by-law to provide greater simplicity and to return to an annual fee regime. The expected impact of such a change is to increase revenue by 20% (\$24k).

### Building Control

This activity deals with all aspects of the building consent process, including the processing of applications; public enquiries; issuing consents and the inspection of building works in the district. The annual cost associated with the activity is around \$3.06m per annum.

The current economic benefit assessment is as follows: Private 90%; Public 5% and Exacerbator 5%. The proposed change reflects a lower private benefit to the applicant and a higher exacerbator factor which reflects the time and cost incurred in managing weather-tightness claims. The proposed economic benefit assessment is as follows: Private 80%; Public 5% and Exacerbator 15%.

The current private funding target is 95% with a forecast recovery of 81% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect the existing levels of recovery from the applicants. The proposed private funding target has decreased to 80% (down from 90%). There is no expected impact on current user charge revenue as a result of the change.

### Resource Consent Administration

This activity deals with all aspects of the resource consent process, including the processing of applications; public enquiries; issuing and monitoring of consents. The annual cost associated with the activity is around \$4.26m per annum. The current economic benefit assessment is as follows: Private 90%; Public 10% and Exacerbator 0%. The proposed change reflects a lower private benefit to the applicant and a higher public factor which reflects



the time and cost incurred in managing appeals and objections. The proposed economic benefit assessment is as follows: Private 80%; Public 20% and Exacerbator 0%.

The current private funding target is 90% with a forecast recovery of 64% from user fees for 2015/16. The recommendation is to adjust the funding target to reflect a lower percentage recovery from user fees. The proposed private funding target has decreased to 80% (down from 90%). However, the current actual recovery percentage is only 64%. In order to achieve 80% recovery, a review of internal processes for recovering costs will be necessary. This will include a review of current fees and charges (including charge-out rates) and a review of the system for managing the cost of public enquiries.

The expected impact of the change is an increase in user charge revenue of 24% (\$660k). If adopted, this will result in an increase in the cost of most resource consent applications. The proposed charge-out rates and other charges made under the Resource Management Act will be considered by Council at the 28 April meeting. Any proposal to change these fees will require the special consultative procedure.

### Aquatics

This activity deals with the provision of indoor aquatic centres in the district. The annual cost associated with Alpine Aqualand is around \$2.69m per annum. The current private funding target is 60% with a forecast recovery of 53% from user fees for 2015/16.

The recommendation is to retain the funding target and to review admission charges in order to meet the 60% cost recovery. The expected impact of the change is an increase in user charge revenue of 13% (\$136k).

If adopted, this will result in an increase to some aquatic user fees. The proposed fees for 2016/17 are included in appendix A (attached). The proposed changes to some aquatic user fees have been recommended as a result of benchmarking our current fees to those in other districts. The existing \$2.00 fee for use of the hydro-slide for example is well below most other centres.

## **FIXED CHARGE RATES FOR RESIDENTIAL FLATS**

### Background

As part of the review process the working party considered rating issues raised through the submission process for the LTP and Annual Plans since 2012. There were a number of submissions relating to the current policy as regards the application of fixed charge rates to residential flats.

The common theme of these submissions is that it is not equitable to apply fixed charge rates at the full rate to residential flats. It is suggested that the policy should provide recognition of the following:

- Residential flats are smaller than dwellings (less demand on services)
- There is a shortage of rental accommodation and residential flats could ease the problem
- The current rating policy is a disincentive to residential flats because its application means that a residential flat will pay more than the same space used for visitor accommodation (through Mixed Use rates).

Fixed Charge Rates are applied on the basis of each “separately used or inhabited part” (SUIP) of a rating unit and each Council is required to have its own policy position as to how this applies. The current QLDC position is as follows:

### **Definition of “Separately Used or Inhabited Parts of a Rating Unit”**

Where rates are calculated on each separately used or inhabited part of a rating unit, the following definitions will apply:

- Any part of a rating unit that is used or occupied by any person, other than the ratepayer, having a right to use or inhabit that part by virtue of a tenancy, lease, licence, or other agreement.
- Any part or parts of a rating unit that is used or occupied by the ratepayer for more than one single use.

The following are considered to be separately used parts of a rating unit:

- Individual flats or apartments
- Separately leased commercial areas which are leased on a rating unit basis
- Vacant rating units
- Single rating units which contain multiple uses such as a shop with a dwelling or commercial activity with a dwelling
- A residential building or part of a residential building that is used, or can be used as an independent residence.

An independent residence is defined as a liveable space with its own kitchen, living and toilet/bathroom/laundry facilities that can be deemed to be a secondary unit to the main residence. Note: the definition of a kitchen comes from the District Plan.

The following are not considered to be separately used parts of a rating unit:

- A residential sleep-out or granny flat that does not meet the definition of an independent residence
- A hotel room with or without kitchen facilities
- A motel room with or without kitchen facilities
- Individual storage garages/sheds/portioned areas of a warehouse
- Individual offices or premises of business partners.

#### **District Plan definition of a Kitchen:**

Means any space, facilities and surfaces for the storage, rinsing preparation and/or cooking food, the washing of utensils and the disposal of waste water, including a food preparation bench, sink, oven, stove, hot-plate or separate hob, refrigerator, dish-washer and other kitchen appliances.

Clearly, residential flats are a SUIP under the policy and as such receive a full set of fixed charge rates at the full residential rate. The following rates are charged on a fixed amount basis:

Uniform Annual General Charge	\$86.00
Sports, Halls & Libraries Annual Charge	\$324.00
Governance & Regulatory Charge	\$71.00
Recreation & Events Charge	\$157.00
Waste Management Charge	\$136.00
Aquatic Centre Charge	\$95.00 (Wakatipu/Arrowtown only)
Water Supply Charge	\$180.00 to \$750.00 (depending on location)
Sewerage Charge	\$370.00 to \$650.00 (depending on location)

This means that for any dwelling in Queenstown, the total fixed charge rates amount to \$1,509 per annum. For a property with a median value of around \$670,000, fixed charge rates make up 60% of the total rates paid for the property (\$2,497).

If this same property included a residential flat, the total rates payable would increase by \$1,509 per annum to \$4,006; an increase of over 60%. If this same property with a flat, was registered as homestay, the total rates payable (as mixed use) would increase by \$700 per annum to \$3,197; an increase of 28%.

There is a clear inequity with regard to the relative rates payable between the two uses. In order to eliminate the discrepancy, it is proposed that a differential be introduced for a new rating category: Dwelling plus Residential Flat. The differential will apply to the following rate types:

Sports, Halls & Libraries Annual Charge	x1.4
Governance & Regulatory Charge	x1.4
Recreation & Events Charge	x1.4
Waste Management Charge	x1.4
Aquatic Centre Charge	x1.4

This effectively means that the Residential flat is charged at the rate of 40% of a dwelling for these differentially set targeted rates. The justification for this lies in the proportional use of services applicable to an average flat. The relative size of a residential flat to an average dwelling suggests a factor of 0.3 to 0.6 is appropriate.

The UAGC must be charged in full to each SUIP and it is recommended to use the existing 50% charges available for Water and Sewerage.

The impact of this proposal will be to reduce rates for dwellings with residential flats by around 20%. Using the example above, the revised rates will be \$3,178 (down from \$4,006) which is a decrease of 20.6%. This revised amount is also slightly less than the amount paid under mixed use (Homestay – short term).

The impact of the proposal will result in a transfer of rates incidence away from Residential Flats and to all other rating categories. It is expected that approximately \$140,000 of rates will need to be re-allocated. This will have a minor impact with Residential ratepayers picking up an additional \$15-20 per year per property, for example.

### **VOLUNTARY TARGETED RATE (EECA)**

QLDC received a submission from the Energy Efficiency and Conservation Authority (EECA) requesting that QLDC consider the introduction of a Voluntary Targeted Rate (VTR) to support the greater uptake of energy efficiency measures such as insulation or heating.

The matter was deferred to the Funding Review process for consideration. There are 11 other councils who have adopted VTR schemes. Most of these did so in conjunction with the central government scheme “Warm up New Zealand” which targeted assistance to low income homes from 2009 to 2013.

The VTR scheme is designed to be cost neutral to councils. Insulation is only provided to individual ratepayers who request it and who are willing to pay back the cost over a 9 to 10 year period. Typically, councils will set a cap on the amount of funding available each year and also on the amount each household can obtain as a VTR.

The panel supported the concept of the VTR but were concerned that there may not be the demand for such a scheme within the district. This is due to the cessation of the central government grant programme in 2013 and also due to the recent introduction of the joint initiative between the Central Lakes Trust and EECA to improve insulation in homes built before 2000 worth \$300,000.

The introduction of a Voluntary Targeted Rate for Residential insulation is not recommended at this stage until the demand for this type of tool is better understood.

### **RATING OF UNDEVELOPED LAND WITH ZONING**

The working party has also considered the rating of undeveloped land which is zoned for development. There are numerous examples around the district where rates are applied to the property on the basis of current use (i.e. Primary Industry) but the property has an underlying zoning which supports development.

The rating legislation certainly allows QLDC to differentiate on the basis of existing or proposed zoning (Schedule 2 Local Government (Rating) Act 2002). The objective of any proposal to rate on the basis of zoning rather than current usage will need to be explicit. The following issues were discussed:

- a) Encouraging release of zoned land
- b) Promoting affordability
- c) Recovering “holding costs” incurred by QLDC in relation to infrastructure planning and provision.
- d) Deterring “land banking” by land owners
- e) Avoiding expensive plan changes to enable development elsewhere

The simplest way of introducing this proposed change is to amend the current rating category known as Vacant Sections. The differential description as it appears in QLDC’s Funding Impact Statement is as follows:

#### **3. Vacant Sections (Existing)**

*All rating units which are vacant properties and suitable for development.*

The key phrases to this definition are “vacant properties” and “suitable for development”. This has meant that this definition applies quite narrowly to land that has been subdivided but sits passively awaiting development or sale by the owner. In order to include all undeveloped land which has zoning allowing development, the following definition would apply:

#### **3. Vacant Sections/Zoned Land (Proposed)**

*All rating units which are vacant properties and suitable for development or land zoned for development but used as Primary Industry.*

This approach would rate the land with zoning on the same basis as Vacant Sections. This includes higher differentials for most targeted rates. The impact on properties currently rated as Primary Industry would see the rates increase by 43 to 154% depending on location and connection of services. The average increase for the 11 properties modelled was 86% (total increase of 132k).

If this proposal were to be introduced, the definition of Primary Industry would need to be amended to exclude land with zoning for development.

#### **8. Primary Industry (Proposed)**

*All rating units:*

- *Used exclusively or principally for agricultural or horticultural purposes including dairying, stock fattening, arable farming, share sheep, market gardens, vineyards, orchards, specialist livestock, forestry or other similar uses, or*
- *Which are ten hectares or more in area and located in any of the Rural or Special Zones contained in the Queenstown Lakes District Council's District Plan as at 1 July of the current rating year.*
- *But excluding all properties used as Primary Industry but rated under Category 3 Vacant Sections/Zoned Land.*

However, there are some administration issues with this proposal. The main one relates to the mismatch that often exists between cadastral boundaries and zoning areas. This means that the existing rating unit will often comprise more than one zone. In order to set rates on the zoning, a series of rating divisions or apportionments will be necessary.

### **EFFECTS OF PROPOSED CHANGES TO THE QLDC RATING SYSTEM**

The proposed changes to the Revenue and Financing Policy will result in some changes to fees and charges for 2016/17.

There are revenue increases proposed in the draft budget for the Annual Plan 2016/17 for the following activities: Animal Control (including dog registration) of \$72k (30%); Environmental Health (including charges for food premises) of \$147k (75%); Waterways \$24k (20%); Resource Consents (including a review of staff charge out rates) \$660k (24%) and Aquatics (including pool charges) \$136k (13%).

The following rates issues were considered:

- Rating of Residential Flats
- EECA proposal for Voluntary Targeted Rate for Residential insulation
- Rating of Land Zoned for development but used as Primary Industry

The impact of the proposed changes to rating policy will have a minor impact on rating incidence overall because there are relatively few properties affected. There are just over 200 properties which potentially include a residential flat and which could benefit from the proposal to reduce the incidence of fixed charge rates. If implemented, the negative rate impact on other properties will be minor (i.e. an additional \$15 to \$20 per annum for residential properties).

There are estimated to be fewer than 20 properties which are currently rated as Primary Industry but are zoned for development and which will be impacted by the proposal to rate by zoning instead of usage. If implemented, the positive rate impact on other properties will be minor (i.e. a reduction of \$1 to \$2 per annum for residential properties).

## Appendix A – Proposed Fees for 2016/17

### Animal Control

#### *Annual Dog Registration Fees \*CURRENT\**

Category	Standard Fee (incl GST)	Effective Fencing Reduction	Positive History Reduction	Potential Discounted Fee
Guide/ Companion Dog	Nil	-	-	-
Working Dog	\$35	\$3	\$2	\$30
De-sexed Dog	\$60	\$6	\$4	\$50
Dangerous/ Menacing Dog	\$165	\$10	\$10	\$145
All Other Dogs	\$68	\$4	\$4	\$60

#### *Annual Dog Registration Fees \*PROPOSED\**

Category	Standard Fee (incl GST)	Effective Fencing Reduction	Positive History Reduction	Potential Discounted Fee
Guide/ Companion Dog	Nil	-	-	-
Working Dog	\$70	\$20	\$20	\$30
De-sexed Dog	\$115	\$30	\$30	\$55
Dangerous/ Menacing Dog	\$245	\$40	\$40	\$165
All Other Dogs	\$155	\$40	\$40	\$75

#### *Overall Annual Dog Registration Fee Increase (using Discounted Fee)*

Category	Proposed Increase
Guide/Companion Dog	0%
Working Dog	0%
De-sexed Dog	10%
Dangerous/Menacing Dog	14%
All other Dogs	25%

The proposed fees reflect the changes as per the Revenue and Financing Policy which indicates an increase in user charge revenue to compensate for the increase in dog related complaints and incidents in recent years.

### *Impounding Fees (incl GST)*

	1 <sup>st</sup> Occurrence	2 <sup>nd</sup> Occurrence	3 <sup>rd</sup> Occurrence
<b>Current Fee</b>	\$100	\$160	\$240
<b>Proposed Fee</b>	\$125	\$200	\$300
<b>Proposed Increase</b>	25%	25%	25%

Impounding fees are direct costs to the user on a graduated increase for roaming dogs that are collected. The issue of roaming dogs remains the largest animal related issue in our community, therefore this increase is intended to promote self-compliance by dog owners.

### **Environmental Health**

#### *Registration Fees \*CURRENT\* (incl GST)*

Business Size / Risk Category	Category A	Category B	Category C	Category D
<b>Level 1</b>	\$285	\$315	\$355	\$405
<b>Level 2</b>	\$320	\$350	\$390	\$440
<b>Level 3</b>	\$375	\$405	\$445	\$495
<b>Level 4</b>	\$485	\$515	\$555	\$605

Food Control Plans      \$350 flat rate (incl GST)

#### *Verification Fees \*PROPOSED\* (incl GST)*

Business Size / Risk Category	Category A	Category B	Category C	Category D
<b>Level 1</b>	\$360	\$540	\$720	\$900
<b>Level 2</b>	\$540	\$720	\$900	\$1080
<b>Level 3</b>	\$720	\$900	\$1080	\$1260
<b>Level 4</b>	\$900	\$1080	\$1260	\$1440

### *Food Control Plans and National Programmes*

Registration is a straightforward administrative task therefore it is proposed that registration is free to encourage self-compliance. A new \$450 infringement for not registering will apply as set by statute.

### *Proposed Increase*

<b>Business Size / Risk Category</b>	<b>Category A</b>	<b>Category B</b>	<b>Category C</b>	<b>Category D</b>
<b>Level 1</b>	26%	71%	103%	122%
<b>Level 2</b>	69%	105%	131%	145%
<b>Level 3</b>	92%	122%	143%	155%
<b>Level 4</b>	86%	110%	127%	138%

The proposed fees incorporate the changes required by the Revenue and Financing Policy and reflect the time to undertake an audit of a food business, which is dependent on the size of the operation and the level of risk associated with the food being prepared.

The business size classifications are outlined below:

- Level 1 – Small business (National Programme 1)
- Level 2 – Medium size business (National Programme 2 or 3)
- Level 3 – Large size business (Food Control Plan)
- Level 4 – Very large business (Food Control Plan)

### *New Premises Fees (incl GST)*

<b>Level</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Level 1</b>	\$615	\$720	17%
<b>Level 2</b>	\$650	\$900	38%
<b>Level 3</b>	\$705	\$1080	53%
<b>Level 4</b>	\$815	\$1260	55%

The proposed fees reflect the time to assist and process new operators pursuant to the Food Act 2014 which came into effect on 1 March 2016.

### **Aquatics**

#### *Casual Fees (incl GST)*

<b>Category</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Adult</b>	\$8.00	\$8.00	0%
<b>Child</b>	\$3.00	\$4.00	33%
<b>Beneficiary/Senior</b>	\$4.50	\$4.50	0%
<b>Hydroslide</b>	\$2.00	\$5.00	150%

#### *3 Months Pre-Paid (incl GST)*

<b>Category</b>	<b>Current</b>	<b>Proposed</b>	<b>Proposed Increase</b>
<b>Adult</b>	\$129	\$169	31%
<b>Child</b>	\$49	\$59	20%
<b>Beneficiary/Senior</b>	\$59	\$79	34%



*6 Months Pre-Paid (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$219	\$270	23%
Child	\$89	\$109	22%
Beneficiary/Senior	\$109	\$129	18%
Family	\$399	\$429	8%

*12 Months Pre-Paid (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$329	\$399	21%
Child	\$139	\$179	29%
Beneficiary/Senior	\$169	\$209	24%
Family	\$659	\$709	7%

*6 Month Direct Debit (monthly fee) (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$9.00	\$11.00	22%
Child	\$4.00	\$5.00	25%
Beneficiary/Senior	\$5.00	\$6.00	20%
Family	\$16.50	\$19.00	15%

*12 Month Direct Debit (monthly fee) (incl GST)*

Category	Current	Proposed	Proposed Increase
Adult	\$7.00	\$9.00	29%
Child	\$3.00	\$4.00	33%
Beneficiary/Senior	\$3.50	\$4.50	29%
Family	\$13.50	\$16.00	19%

The proposed fees reflect the changes as per the Revenue and Financing Policy which indicates an increase in user charge revenue via admission charges in order to meet the existing funding target.



"B"

New Zealand Legislation

# Local Government (Rating) Act 2002

• with search matches highlighted

## Schedule 2

ss 14, 17

### Matters that may be used to define categories of rateable land

- 1 The use to which the land is put.
- 2 The activities that are permitted, controlled, or discretionary for the area in which the land is situated, and the rules to which the land is subject under an operative district plan or regional plan under the Resource Management Act 1991.
- 3 The activities that are proposed to be permitted, controlled, or discretionary activities, and the proposed rules for the area in which the land is situated under a proposed district plan or proposed regional plan under the Resource Management Act 1991, but only if—
  - (a) no submissions in opposition have been made under clause 6 of Schedule 1 of that Act on those proposed activities or rules, and the time for making submissions has expired; or
  - (b) all submissions in opposition, and any appeals, have been determined, withdrawn, or dismissed.
- 4 The area of land within each rating unit.
- 5 The provision or availability to the land of a service provided by, or on behalf of, the local authority.
- 6 Where the land is situated.
- 7 The annual value of the land.
- 8 The capital value of the land.
- 9 The land value of the land.

# FEDERATED FARMERS OF NEW ZEALAND COOPER, DAVID

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## REVENUE AND FINANCING POLICY

Please see attached document

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## RATING POLICY

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## DEVELOPMENT CONTRIBUTION POLICY



# FEDERATED FARMERS OF NEW ZEALAND

## Submission to Queenstown Lakes District Council on Proposed Amendments to Funding and Financial Policies

29 April 2016

# **SUBMISSION TO QUEENSTOWN LAKES DISTRICT COUNCIL ON THE PROPOSED AMENDMENTS TO FUNDING AND FINANCIAL POLICIES**

To: **Queenstown Lakes District Council**

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**Federated Farmers wishes to be heard in support of our submission.**

## Summary of Submissions

### General submissions

Federated Farmers supports the principles informing Council's overall approach to funding activities, in that overall Council attempts to align the amount paid by specific ratepayers and users of Council services with the relative benefit derived from each activity.

This is particularly important in Queenstown Lakes District, given the large demand for Council services from non-resident ratepayers, and the impacts that a purely property value based approach would have on the economic viability of farming in the District.

### Approach and focus of the review

Federated Farmers broadly agrees with the overall approach of the Review, focusing on addressing emerging issues rather than the overall 'structure' of rating more specifically.

A more comprehensive review of funding policy and rating policy specifically may be required as a result of amendments to the District Plan.

### Principles applied in the review

Federated Farmers agrees with the principles applied by Council through the review. However, we note there is potential for these principles to conflict.

We consider this is the case in respect to the proposed Rating of Undeveloped Land with Zoning where the proposal may be aligned to Council's overall objective to free up land for housing development, but is not consistent with the principle that the rating system deliver 'allocations of costs that are justifiable'.

### Rating of Undeveloped Land with Zoning

Federated Farmers opposes the proposal to amend the current rating category known as Vacant Sections to include land zoned for development but used as Primary Industry, and to increase the rates paid by those properties.

While we can understand the intention we do not agree with the proposed method, and believe the important distinction between vacant land and land used for primary production but zoned for development should remain reflected in Council's rating approach.

### Fixed Charge Rates for Residential Flats

On balance, Federated Farmers agrees with the proposed amendments to the Fixed Charge Rates for Residential Flats.

Should the proposed changes significantly impact the rates paid by the farming sector, we ask that Council consider the level of those fixed rates for primary production.

### Additional costs for Resource Consents (including staff charge out rates)

Federated Farmers supports the proposal to increase the proportion of resource consent costs met by the public (from 10% currently, increasing to 20%).

However, we oppose the proposed overall increase in user charge revenue from resource consents. We consider the current level of revenue should be maintained until the completion of the District Plan review and the establishment of measures to ensure the efficiency and equity of consent application processes and costs.

## 1.1 Introduction

- 1.2 Federated Farmers welcomes the opportunity to submit to Queenstown Lakes District Council on the Proposed Amendments to Funding and Financial Policies (the review).
- 1.3 The farmers view on rates – Local Government funding relies to a significant extent on the ability to 'rate' property value, and farming activities are reliant on large areas of land. In combination this results in Council rates having a significant impact on farming activities.
- 1.4 Property value forms the primary basis for rates and rating costs are incurred irrespective of the level of profit derived from the land. As rates are an unavoidable but significant operating cost, and primary production returns are very volatile, rates can have a significant impact on farming viability.
- 1.5 This is a particular tension in a predominantly urban based or urban focussed population like the Queenstown Lakes District. Farmers are geographically separated from most urban focussed services, and generally derive little relative direct benefit. While farmers do derive general public benefit, and should be required to meet reasonable costs, it is important that there is a connection between the amount paid by specific ratepayers and the benefit derived from, or demand for, those services.
- 1.6 If the rating approach is not appropriately tailored to ensure there is some alignment, specific ratepayers can demand additional levels of service while not being asked to meet these costs. This can impact both the overall costs of local government as well as creating inequitable and inefficient outcomes. In short, it is easy to ask for more if someone else is picking up the costs.
- 1.7 View on current funding policy - As we have submitted to previous funding policy reviews, we support Council's overall approach to targeted rating, and intelligent use of rating tools. To our knowledge there is no council undertaking any comparable modelling to assess relative benefit or contribution to the need for an activity.
- 1.8 While this requires a lot of administrative effort on Council's part, the implications are apparent through rating outcomes. Even though rates are a 'blunt tool', Council has attempted to align to a reasonable extent the demand or drivers for an activity with the method of funding that activity.
- 1.9 The result is, where proposed additional spending which is location specific is reflected through the changes in rates facing the example rating properties within those locations. Similarly, where a particular land use type is driving additional costs for the Council, these can be targeted.
- 1.10 This view also extends to the choice of funding mechanism, a specific issue considered through this review. While we make comments on the proposed increase in user charges further in this submission, the same broad principles explained above apply, in that the funding approach should reflect the relative benefit derived from that activity.
- 1.11 A private consent application, for example, may predominantly benefit the applicant. However, it will also provide some public benefit, as a reflection of Council's more general

regulatory responsibilities, and the public good outcomes resulting from these as well as the positive (generally economic) implications of the activity being considered.

- 1.12 The Queenstown Lakes context – The contribution of farming activity in the Queenstown Lakes District can often be underappreciated. Farming in the District provides public good benefit by underpinning the sweeping rural landscapes that are highly valued by both visitors and residents. Farmers maintain these landscapes, controlling pests and ensuring these are appropriately managed. These actions are primarily for the farmer's own benefit, but this in turn provides a more general benefit to the District.
- 1.13 The other specific concern for Queenstown Lakes is the significant non-resident population, the impact this has on the District's infrastructure, and the manner in which this impacts Council's approach to funding. The District is unique in respect to the fact demand for infrastructure is derived so significantly from non-permanent residents of the District (either tourists or temporary residents).
- 1.14 Council's primary funding tool, rates, are location specific, and there are few alternatives open to Council to capture the 'rates portion' of this particular demand for infrastructure, other than to rate those who directly benefit with the hope these costs will in turn be passed on.

#### **Summary of submission:**

**Federated Farmers supports the principles informing Council's overall approach to funding activities, in that overall Council attempts to align the amount paid by specific ratepayers and users of Council services with the relative benefit derived from each activity.**

**This is particularly important in Queenstown Lakes District, given the large demand for Council services from non-resident ratepayers, and the impacts that a purely property value based approach would have on the economic viability of farming in the District.**

## **2.1 Approach and focus of the review**

- 2.2 The review process has focused specifically on the following activities, motivated by public submissions 'or as a result of political concern'.
- Animal Control
  - By-Law Enforcement
  - Environmental Health
  - Alcohol Licensing
  - Waterways Facilities
  - Waterways Control
  - Building Control
  - Resource Consents
  - Aquatics



- 2.3 The report notes that the review has generally resulted in changes to funding targets with some fee increases proposed for Animal Control (including dog registration); Environmental Health (including charges for food premises); Waterways; Resource Consents (including a review of staff charge out rates) and Aquatics (including pool charges).
- 2.4 Subsequent to the funding approach for these specific activities, broader concerns were addressed;
- Rating of Residential Flats
  - EECA proposal for Voluntary Targeted Rate for Residential insulation
  - Rating of Land zoned for development but used as Primary Industry
- 2.5 Federated Farmers addresses specific portions of the proposed changes (those proposed to the Resource Consent costs and Rating of Land zoned for development) further in this submission.
- 2.6 However, we note the overall result is that, instead of a more comprehensive review of the overall rating approach, Council has focussed specifically on the concerns that have emerged, or been brought to light, since the last review in 2011.
- 2.7 Federated Farmers agrees with this approach. As highlighted in the consultation document, the review process has included an overview of the current system including the statutory framework and the relationship between the Revenue and Financing Policy and the Rating system, and so any 'structural' concerns will have been considered through this process.
- 2.8 For our part, we agree there is little need for 'structural' change at present. There are some areas of improvement we would like to see specifically in relation to the overall rating approach, as outlined in our 2011 submission to the previous review. However, given the absence of any systemic issues it is reasonable to address these concerns through a future review process.
- 2.9 In particular, from a farming perspective it may be appropriate to consider what implications the District Plan review may have on Council's overall funding approach. More particularly, Federated Farmers would argue that additional planning impositions on farming activities may need to be reflected through funding policy (for example, rates remissions or financial support for the costs associated with managing areas of biodiversity on private land).

#### **Summary of submission:**

**Federated Farmers broadly agrees with the overall approach of the Review, focusing on addressing emerging issues rather than the overall 'structure' of rating more specifically.**

**A more comprehensive review of funding policy and rating policy specifically may be required as a result of amendments to the District Plan.**

### **3.1 Principles applied in the review**

3.2 The Guiding Principles informing the review (and those that applied in previous reviews) are outlined in the report. These are:

- *equity, i.e. as far as possible the system should be fair to all ratepayers.*
- *transparency, i.e. the system should be able to be understood by ratepayers and all activities within it should be clear for all to observe.*
- *enforceability, i.e. the system should be administratively simple to operate and able to be complied with,*
- *The rating system should deliver allocations of costs that are justifiable.*
- *Those who benefit from QLDC services (including secondary beneficiaries) should contribute to costs.*
- *The rating system should be consistent with QLDC's objectives, so that desired outcomes are complemented or advanced.*

3.3 Federated Farmers agrees that these principles are relevant, however there is room for disagreement around how these are applied. We note that they may conflict to some extent in respect to the proposed Rating of Undeveloped Land with Zoning specifically. In this instance we consider the proposal may be aligned to Council's overall objective to free up land for housing development, but disagree that the proposed approach delivers 'allocations of costs that are justifiable'.

#### **Summary of submission:**

**Federated Farmers agrees with the principles applied by Council through the review. However, we note there is potential for these principles to conflict.**

**We consider this is the case in respect to the proposed Rating of Undeveloped Land with Zoning where the proposal may be aligned to Council's overall objective to free up land for housing development, but is not consistent with the principle that the rating system deliver 'allocations of costs that are justifiable'.**

### **4.1 Rating of Undeveloped Land with Zoning**

4.2 The working party has considered the rating of undeveloped land which is zoned for development and is proposing to increase the rates paid by these properties. The overall aim of this proposal is to:

- a. Encourage release of zoned land
- b. Promote affordability
- c. Recover "holding costs" incurred by QLDC in relation to infrastructure planning and provision
- d. Deter "land banking" by land owners
- e. Avoid expensive plan changes to enable development elsewhere

4.3 Council notes that there are numerous examples around the district where rates are applied to the property on the basis of current use (i.e. Primary Industry) but the property has an underlying zoning which supports development.

- 4.4 The implications from a farming perspective are that, where land that is currently being farmed is zoned as available for residential or rural residential development, this land will incur higher rates. This change is made possible because of Council's targeted differential rating system, with primary production land receiving a reduction in the rates they would otherwise pay under a pure capital value rate.
- 4.5 Council is proposing to achieve this by amending the current rating category known as Vacant Sections to include 'land zoned for development but used as Primary Industry', with the effect of rates increases for that land of between 43 to 154%, depending on the location of that property and connection of services.
- 4.6 The intention, as outlined above, is to encourage release of this land for this alternative use, thereby promoting release of land, improving the availability of land for housing, and addressing concerns around housing affordability in the District. The overall approach appears to be to coerce landowners into changing land use and freeing up land zoned for development.
- 4.7 This may be considered reasonable in respect to intentional land banking, where the land is sitting unused in the expectation that the land will appreciate in value, creating costs to both the council and the community. However, it is not reasonable when the land is legitimately being used for farming, where the intention is simply to farm.
- 4.8 The key difference between vacant land within a residential or rural residential area is that it is vacant; the land is being used for no other purpose and this indicates an intention to land bank. This is distinctly different from land used for farming in an area that is zoned residential or rural residential, which has been farmed for a prolonged period of time.
- 4.9 For farmers, zoning of primary production land is a double edged sword. On one hand, the area zoned becomes more financially valuable as it is now available to be sub-divided, and as the landowner the farmer will financially benefit. On the other hand, the farmer is expected to forego use of her or his land for farming purposes, and develop or sell that land.
- 4.10 There are a number of reasons why a farmer may choose not to do so; including the historical connection of the farmer and her or his family over generations, or in some instances, subdividing and developing a proportion of the farm zoned for development may render the remainder of the farm uneconomic.
- 4.11 As a result, the proposal effectively 'taxes' farmers with developed land for having the misfortune to farm in an area that is subject to the vagaries of Council's resource management planning decisions.
- 4.12 This approach pushes the costs of any failure on Council's part to appropriately define future growth areas, and the failure to plan for or provide for these through previous District Plans, onto the individual landowner.
- 4.13 Nor do we consider the proposal likely to entice development, given the additional costs imposed by the proposal will likely be outweighed by the expected capital value appreciation from land banking. The result of the proposed approach may even be counterproductive, in that farmers consider the attempt at coercion as unreasonable and

refuse to develop on that basis, particularly as the insinuation is that farming is simply housing development waiting to happen.

- 4.14 As a result of these concerns, Federated Farmers opposes the proposal to amend the current rating category known as Vacant Sections to include land zoned for development but used as Primary Industry, to increase the rates paid by those properties.
- 4.15 Federated Farmers considers the proposal does not meet Council's own principle that "the rating system should deliver allocations of costs that are justifiable". While we can understand the intention behind the proposal, we do not agree with the proposed method, and believe there is an important distinction between vacant land and land used for primary production.
- 4.16 Council also refers to "holding costs" incurred by QLDC in relation to infrastructure planning and provision. These holding costs are not explained or defined, but are presumably the costs associated with developing plans and providing infrastructure for housing development that does not result in a timely manner. Federated Farmers considers these costs to be a planning matter firmly within Council's control.

**Summary of submission:**

**Federated Farmers opposes the proposal to amend the current rating category known as Vacant Sections to include land zoned for development but used as Primary Industry, and to increase the rates paid by those properties.**

**While we can understand the intention we do not agree with the proposed method, and believe the important distinction between vacant land and land used for primary production but zoned for development should remain reflected in Council's rating approach.**

**5.1 Fixed Charge Rates for Residential Flats**

- 5.2 As explained in the consultation document, the concern that Fixed Rates are currently too high for residential flats has been raised by a number of submitters. The argument is that, as a residential flat is significantly smaller than the average residential dwelling, the demand for (or benefit received from) council services by that dwelling is less than that of the average residential unit.
- 5.3 This is a particular concern given Council's high (and in Federated Farmers' view, appropriate) use of fixed charges, compared to property value based rates.
- 5.4 Council is proposing to address the issue by reducing the rates paid by a residential flat through the following uniform rates; Sports, Halls & Libraries Annual Charge, Governance & Regulatory Charge, Recreation & Events Charge, Waste Management Charge, Aquatic Centre Charge.
- 5.5 These changes are driven by the view that residential flats, proportionally, use less of these services when compared to an average residence (because they are smaller in size, and can house fewer residents), but also because there is a shortage of rental

accommodation and residential flats could ease the problem, and because the current rating policy is a disincentive to residential flats.

- 5.6 Federated Farmers agrees with the overall view that the rates charged should be proportionate to the relative use of the activity being funded, and therefore we consider it appropriate that the relative rates paid by a residential flat should be adjusted, if there is clear evidence that residential flats house fewer residents than the average residential dwelling.
- 5.7 However, the extent to which the proposed changes will provide sufficient incentive to significantly change the supply of residential flats is questionable. As explained the average saving in rates under the proposal will be a saving of \$828 per year, or \$15.93 a week.<sup>1</sup> Given the cost of renting in Queenstown, it may make some marginal difference.
- 5.8 However, we agree that it is inequitable and administratively difficult to justify that residential flats pay more than the same space used for visitor accommodation (through Mixed use rates).
- 5.9 The consultation document does not explain what the impacts of this change will be for farming properties, noting only that the proposed changes will result in a transfer of rates incidence away from Residential Flats and to all other rating categories. We ask that Council consider reviewing the allocation of these costs (through fixed charges) to the farming sector should these be material.

#### **Summary of submission:**

**On balance, Federated Farmers agrees with the proposed amendments to the Fixed Charge Rates for Residential Flats.**

**Should the proposed changes significantly impact the rates paid by the farming sector, we ask that Council consider the level of those fixed rates for primary production.**

#### **6.1 Additional costs for Resource Consents (including staff charge out rates)**

- 6.2 Council is proposing two amendments to the revenue received through resource consent applications. The first is to increase the proportion of resource consent costs met by the public (from 10% currently, increasing to 20%) and subsequently reduce the proportion met by the consent applicant (reducing from 90% to 80%).
- 6.3 Federated Farmers agrees in principle with this proposed shift in the proportion funded by the Council (and as a result, the ratepayer). Council's general resource management obligations are undertaken on behalf of the community at large.
- 6.4 Generally speaking, the resource consent application process is where the applicant is receiving some direct benefit as a result of the activity underpinning the consent

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<sup>1</sup> Using the example provided in the consultation document, estimating the revised rates for an average Residential Flat will reduce to \$3,178 (down from \$4,006)

application. However, these applications can also be required where there is no or little direct benefit to the applicant, or where the underlying intent is to oblige the applicant to incur costs for the public good.

- 6.5 Development can also provide public good benefit, although this is a lesser consideration at the resource consent end as these positive benefits will ideally have been appropriately considered in the plan development and/or consent application process. Subsequently we consider the proposed increase in the public proportion of costs met by the public a more appropriate reflection of this relative benefit.
- 6.6 The second proposed change is to increase the overall revenue derived from (and costs for) the consent application process. Federated Farmers views this part of the proposed amendments less favourably.
- 6.7 The proposal outlines that a review of internal processes for recovering costs will be undertaken, including a review of current fees and charges (including charge-out rates) and a review of the system for managing the cost of public enquiries. It is expected that the impact of this review will be an overall increase in user charge revenue of 24% (\$660k), and an increase in the cost of most resource consent applications.
- 6.8 Federated Farmers considers that allocating the costs of resource consents equitably, and appropriately recovering reasonable staff costs, are good aims. However, from the perspective of a resource consent applicant, there is often frustration at the length of time and cost associated with processing a resource consent application, and a lack of surety around whether these processes are efficient.
- 6.9 This is particularly the case for 'open ended' resource application processes, where the matters for consideration in respect to the consent application are significant or broad, or the activity status is open to a range of factors. In these instances the cost of consent applications can significantly exceed the applicant's expectations.
- 6.10 With increasing costs for consent applicants, there is a greater need to ensure that the processes for assessing applications are efficient and effective. There are currently insufficient oversight or reporting processes to provide this confidence to the consent applicant. This is a concern given the costs of consent applications can run into the thousands and tens of thousands of dollars.
- 6.11 Further, the proposed District Plan may materially impact the equity of the costs of consenting, and the division between public good and private benefit. It is therefore reasonable to defer the proposal to increase user charge revenue until the District Plan review is complete, and there are better processes in place to ensure the efficiency and equity of consent application costs.

#### **Summary of submission:**

**Federated Farmers supports the proposal to increase the proportion of resource consent costs met by the public (from 10% currently, increasing to 20%).**

**However, we oppose the proposed overall increase in user charge revenue from resource consents. We consider the current level of revenue should be maintained**

**until the completion of the District Plan review and the establishment of measures to ensure the efficiency and equity of consent application processes and costs.**

## **7.1 About Federated Farmers**

7.2 Federated Farmers of New Zealand is a primary sector organisation representing farming and other rural businesses. Federated Farmers has a long and proud history of representing the needs and interests of New Zealand farmers.

7.3 The Federation aims to add value to its members' farming business. Our key strategic outcomes include the need for New Zealand to provide an economic and social environment within which:

- Our members may operate their business in a fair and flexible commercial environment;
- Our members' families and their staff have access to services essential to the needs of the rural community; and
- Our members adopt responsible management and environmental practices.