CONSULTATION TOPIC 1

RATES INCREASES – HOW SHOULD THE RATING SHARE BE DIVIDED

Council rates for 2022-2023 will be impacted by three factors:

1. **The budgeted rate increase to meet the increased costs for Council operations***
2. **The impact of our largest ratepayer Norske Skog closing**
3. **The effect of the revaluation changes (increases being higher for some properties than others)**

CLOSURE OF NORSKE SKOG

We have known for a long time that Norske would cease operating at some stage.

Over the years, Council has worked with a number of organisations to promote economic development and establish a larger rating base to soften the impact for ratepayers when this occurred.

Norske Skog at present pays nearly a quarter of the total rates (includes Mercury Energy).

However, now that they have ceased operation, the reduced valuation carried out in 2021, means the rates they pay reduce by more than a $1.0 million.

If Council keeps the current level of services, this shortfall in rates needs to be funded by other ratepayers.

VALUATION CHANGES

The third factor impacting on rates is the new valuations completed in September 2021. Every three years, Quotable Value is contracted by Kawerau District Council to update rating values. This comprises a three-yearly mass update of rating values – known as a district revaluation.

These values will be used to charge rates from 1 July 2022.

The biggest percentage increase in values has been for medium valued residential properties. This is due to increased sales prices for these homes over the last three years.

Council has considered the various rating tools available to try to spread the rate increase more evenly across all properties. Unfortunately, this has only been possible to a limited extent.

What this means is that higher valued properties will still pay higher rates. However, medium valued properties will have a larger percentage rate increases, due to their higher percentage valuation increase.

*NOTE: Our budget increases to meet increased costs for Council operations of 4.4% is significantly less than the expected inflation rate of 5.9% for 2022-2023.

HOW ARE RATES SHARED ACROSS DIFFERENT PROPERTY TYPES?

Commercial and industrial properties currently pay 55% of the general rate and residential properties pay 45%.

With the significant reduction in valuation of the Norske Skog property, Council looked at different options for spreading this rating cost including:

- Retaining the current share of the general rate – 45% residential properties: 55% commercial/industrial properties (Council's preferred option)
- Changing the share of the general rate – 50% residential properties: 50% commercial/industrial properties

Options for funding the rating shortfall due to closure of Norske Skog

OPTION 1

Council's preferred option

Keep the district rating share to 45% residential and 55% commercial/industrial (45:55).

This means the reduced rates for Norske Skog are met by other commercial/industrial properties.

Impact on level of service

No impact on level of service

(unless feedback requests costs to be lowered?)

Impacts on Rates

- Residential rates will increase by an average of 4.4%
- Commercial/Industrial rates will increase by an average of 34.6%
- The variation in rates increases is a result of different valuation increases for each property.

Impact on Debt

$0

OPTION 2

Change the rates so that it is equally split with 50% residential 50% commercial/industrial (50:50).

This means the reduced rates from Norske Skog is met by residential and commercial/industrial properties.

Impact on level of service

No impact on level of service

(unless feedback requests costs to be lowered?)

Impacts on Rates

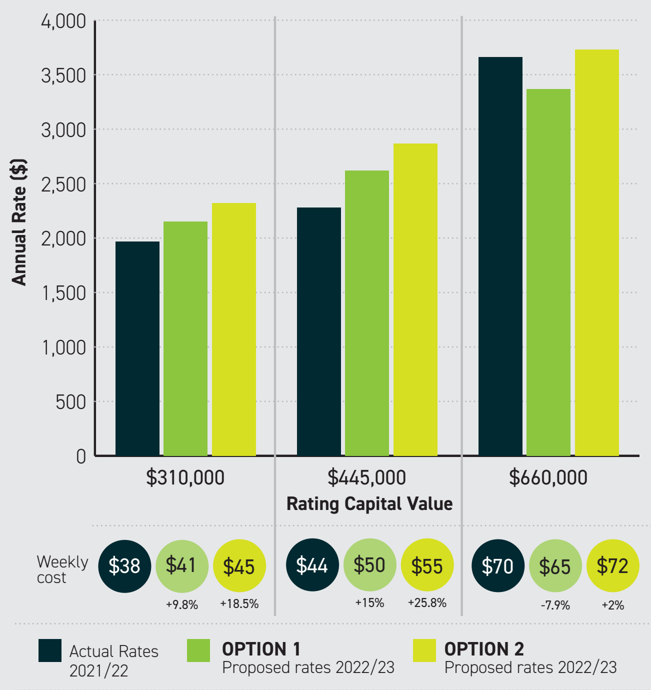
- Residential rates will increase by an average of 16.1%
- Commercial/Industrial rates will increase by an average of 22.5%
- The variation in rates increases is a result of different valuation increases for each property.

Impact on Debt

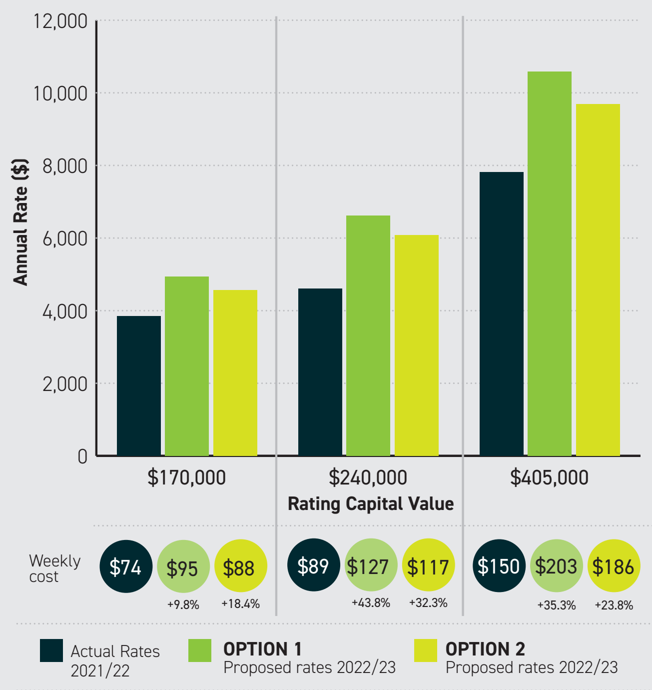
$0

What your rates might look like next year

RESIDENTIAL PROPERTIES



COMMERCIAL PROPERTIES



OPTIONS FOR FUNDING THE RATING SHORTFALL

Capital Values 2018	**Capital Values 2021**	Capital Value % Increase	Rates 2021/22	Cost per week 2021/22	OPTION 1 Proposed Rates 2022/23	OPTION 1 Increase in Rates	OPTION 1 % Increase	OPTION 1 Cost per week 2022/23	OPTION 2 Proposed Rates 2022/23	OPTION 2 Increase in Rates	OPTION 2 % Increase	OPTION 2 Cost per week 2022/23
Residential:												
$29,000	**$52,000**	79.3%	$1,210	$23	$1,254	$44	3.6%	$24	$1,283	$73	6.0%	$25
$170,000	**$310,000**	82.4%	$1,969	$38	$2,151	$192	9.8%	$41	$2,322	$363	18.5%	$45
$195,000	**$390,000**	100.0%	$2,092	$40	$2,430	$338	16.1%	$47	$2,644	$552	26.4%	$51
$210,000	**$400,000**	90.5%	$2,172	$42	$2,464	$292	13.5%	$47	$2,685	$513	23.6%	$52
$230,000	**$445,000**	93.5%	$2,278	$44	$2,621	$343	15.0%	$50	$2,866	$588	25.8%	$55
$305,000	**$465,000**	52.5%	$2,676	$51	$2,690	$14	0.5%	$52	$2,947	$271	10.1%	$57
$335,000	**$530,000**	58.2%	$2,836	$55	$2,916	$80	2.8%	$56	$3,209	$373	13.1%	$62
$490,000	**$660,000**	34.7%	$3,659	$70	$3,369	-$290	-7.9%	$65	$3,732	$73	2.0%	$72
$530,000	**$710,000**	34.0%	$3,872	$74	$3,542	-$329	-8.5%	$68	$3,934	$62	1.6%	$76
Commercial/Industrial:												
$140,000	**$170,000**	21.4%	$3,851	$74	$4,937	$1,086	28.2%	$95	$4,560	$709	18.4%	$88
$175,000	**$240,000**	37.1%	$4,602	$89	$6,618	$2,016	43.8%	$127	$6,086	$1,484	32.3%	$117
$325,000	**$405,000**	24.6%	$7,821	$150	$10,582	$2,761	35.3%	$203	$9,684	$1,863	23.8%	$186
$850,000	**$1,090,000**	28.2%	$19,088	$367	$27,036	$7,948	41.6%	$520	$24,620	$5,532	29.0%	$473
$18,600,000	**$20,300,000**	9.1%	$400,003	$7,692	$488,484	$88,481	22.1%	$9,394	$443,483	$43,480	10.9%	$8,528
$29,400,000	**$30,700,000**	4.4%	$631,771	$12,149	$738,305	$106,534	16.9%	$14,198	$670,249	$38,478	5.2%	$12,889
$33,550,000	**$34,750,000**	3.6%	$720,830	$13,862	$834,591	$114,761	15.9%	$16,069	$758,557	$37,727	6.1%	$14,587
$120,500,000*	**$66,000,000**	-45.2%	$2,586,777	$49,746	$1,586,254	-$1,000,523	-38.7%	$30,505	$1,439,945	-$1,145,832	-44.3%	$27,691

*Refers to Norske Skog closing and the reduced valuation