

More on the alternative Uniform Annual General Charge of \$50

Option of reducing the Uniform Annual General Charge (UAGC)

Most of Christchurch City Council's rates are based on capital value, which is appropriate for local government rates because it broadly indicates ability to pay. However, most Councils also have a fixed charge component which recognises that the benefits of some Council activities – things like roading, parks, libraries and other community facilities – tend to accrue to households roughly equally, rather than based on the capital value of their property.

Our fixed charges, of which the UAGC is one, are currently among the lowest in the country. The UAGC is a fixed rate set on every property (separately used or inhabited part of a rating unit). Most properties pay one UAGC, but some pay more – for example, a property with two flats would pay two UAGCs. This year the UAGC is \$145 and we normally increase it annually in line with the average rates increase.

Proposed

We propose to set the UAGC for 2023/24 at \$153. The increase is in line with the overall proposed rates increase of 5.68%.

Alternative option of a lower UAGC

We want your feedback on an alternative option of setting the UAGC at the lower value of \$50. This lower UAGC means \$17 million of rates would instead be moved to the capital value-basis. **In general, this means lower valued properties would pay less general rates than proposed, and higher valued properties would pay more.** The business differential would need to be adjusted from 2.22 to 2.11 to keep constant the proportion of rates paid by the business sector. The City Vacant differential would change from 4.523 to 4.413.

Analysis

Based on the proposed rates for next year, an average-value house that increased in value by 47.7% in the latest revaluation to \$764,364 will face a rates increase of \$183 per year (5.79%). A relatively low-value property with a capital value of \$300,000 will see a rates increase of \$72 or 4.9%, while a relatively high-value house worth \$2 million will have a rates increase of \$480 or 6.2%.

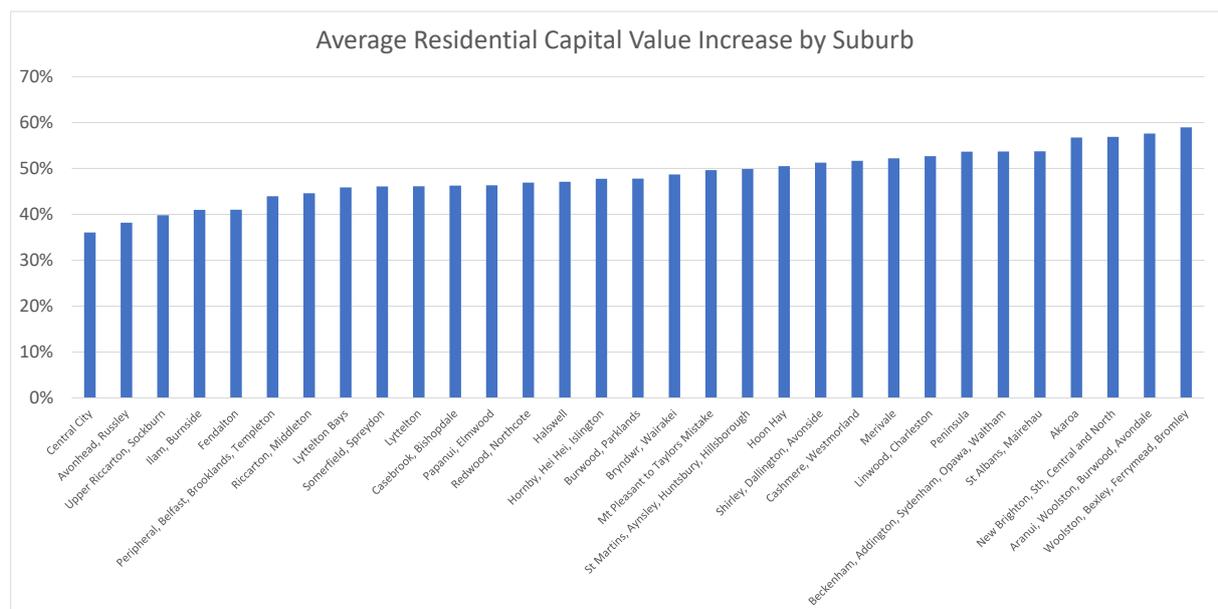
Under the alternative option of moving the UAGC to \$50, the average-value house (\$764,364) would face a higher rates increase of \$189 or 5.97%. A relatively low-value property (\$300,000) would see its rates increase compared with the previous year by \$11 or 0.8%. On the other hand, a relatively high-value house (\$2 million) would have a larger increase under this option – its rates would increase by \$661 or 8.6%.

This is shown in the following table:

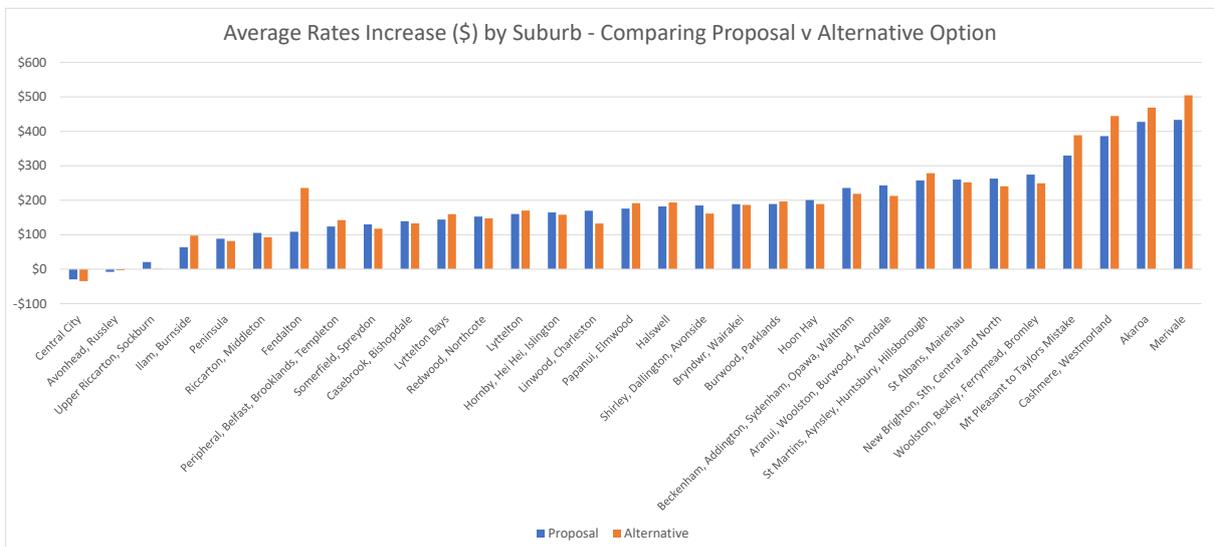
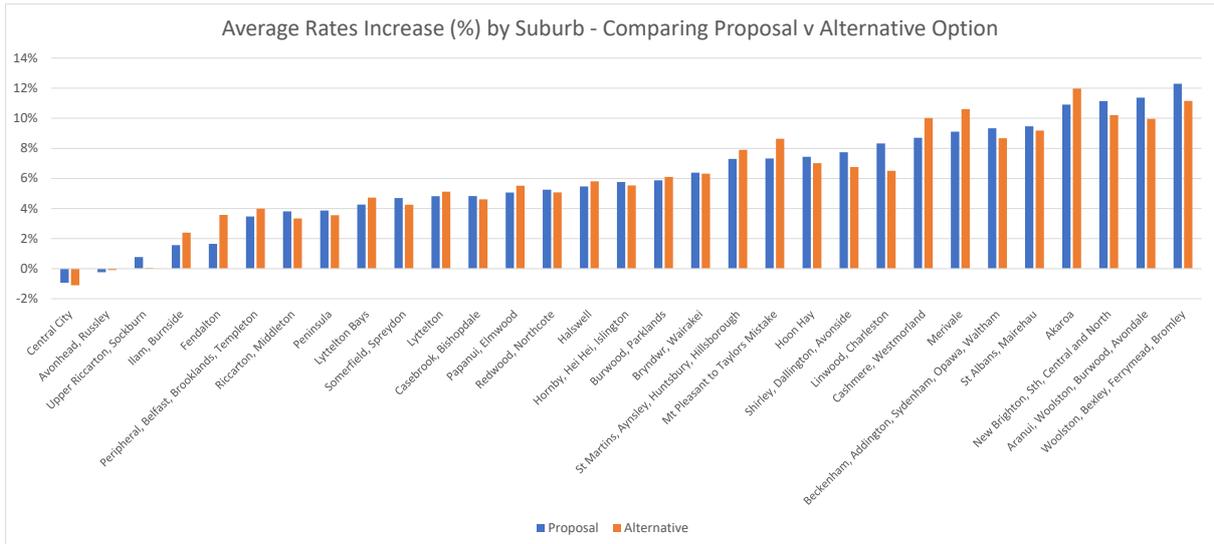
Standard

CV (\$) After Revaluation	Rates this year (\$)	Rates NEXT year						Difference (\$) between Alternative and Proposed
		Proposed \$153 UAGC			Alternative \$50 UAGC			
		Rates (\$)	Increase (\$)	Increase (%)	Rates (\$)	Increase (\$)	Increase (%)	
300,000	1,460	1,532	72	4.9%	1,471	11	0.8%	-60
400,000	1,826	1,922	96	5.2%	1,876	49	2.7%	-46
500,000	2,193	2,312	120	5.5%	2,280	88	4.0%	-32
600,000	2,559	2,703	144	5.6%	2,685	126	4.9%	-18
700,000	2,925	3,093	168	5.7%	3,089	164	5.6%	-4
800,000	3,292	3,483	192	5.8%	3,494	202	6.1%	11
1,000,000	4,024	4,264	240	6.0%	4,303	279	6.9%	39
1,200,000	4,757	5,045	288	6.0%	5,112	355	7.5%	67
1,500,000	5,856	6,216	360	6.1%	6,326	470	8.0%	110
2,000,000	7,688	8,168	480	6.2%	8,348	661	8.6%	181
3,000,000	11,351	12,071	720	6.3%	12,394	1,042	9.2%	323
Average House								
764,364	3,161	3,344	183	5.79%	3,350	189	5.97%	5

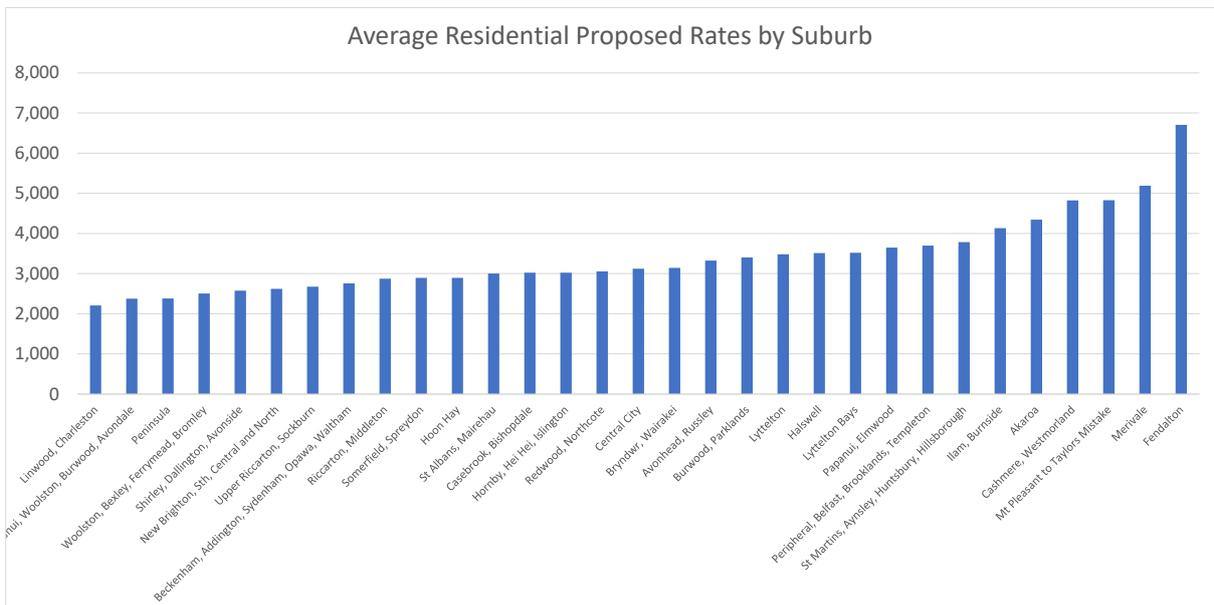
The 2022 General Revaluation has increased residential property values by an average of 47.7%, but on average some suburbs have increased by more than others. In particular, some of the suburbs with a lower average value in east Christchurch such as New Brighton, Aranui and Woolston have tended to rise in value by a greater percentage as shown below.



A residential property that has increased in value by more than 47.7% will likely face a rates increase of more than 5.79%. One rationale for reducing the UAGC is to try to reduce the rates increase for those suburbs with a lower average value. The rates increase for an average house in each suburb is shown in the following two charts, which compare proposed rates with a UAGC of \$153 with the alternative option of a UAGC of \$50. The first chart shows the percentage increase, the second shows the dollar increase.



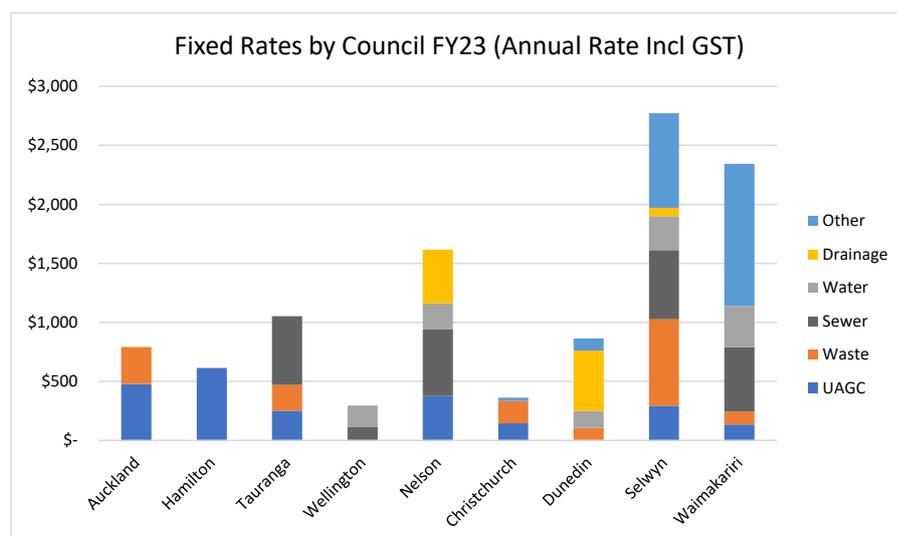
The following table shows proposed average residential rates by suburb. As most rates are based on capital value, suburbs with a higher average value pay more rates.



For businesses the story is similar: a lower UAGC means business properties with a lower value would pay less, and business properties with a higher value would pay more as shown below. The figures assume an average business revaluation increase of 24.4%.

CV (\$) After Revaluation	Rates this year (\$)	Rates NEXT year						Difference (\$) between Alternative and Proposed
		Proposed \$153 UAGC			Alternative \$50 UAGC			
		Rates (\$)	Increase (\$)	Increase (%)	Rates (\$)	Increase (\$)	Increase (%)	
300,000	2,209	2,319	110	5.0%	2,233	24	1.1%	-86
500,000	3,441	3,624	184	5.3%	3,550	109	3.2%	-75
1,000,000	6,520	6,888	368	5.6%	6,842	321	4.9%	-46
1,500,000	9,600	10,151	552	5.7%	10,133	534	5.6%	-18
2,000,000	12,679	13,415	736	5.8%	13,425	746	5.9%	10
2,500,000	15,759	16,678	919	5.8%	16,717	958	6.1%	39
3,000,000	18,839	19,942	1,103	5.9%	20,009	1,171	6.2%	67
4,000,000	24,998	26,469	1,471	5.9%	26,593	1,595	6.4%	124
5,000,000	31,157	32,996	1,839	5.9%	33,177	2,020	6.5%	181
Average Business								
2,442,382	15,404	16,302	898	5.83%	16,338	934	6.06%	36

When considering the appropriate level of UAGC, it may be useful to compare fixed charges across other New Zealand councils. Christchurch already has very low fixed charges, as shown in the following diagram. This makes Christchurch relatively heavily dependent on CV-based rating and exposed to material revaluation changes between sectors and suburbs.



We're proposing a UAGC of \$153, rather than \$50, largely with the following observations in mind:

- Our fixed charges are already one of the lowest for New Zealand councils.
- There are benefits in having a wider tax base to avoid placing too much weight on capital value as the main rating base.
- It better reflects that the benefits of some of our activities like roading, parks, libraries and other community facilities tend to accrue to households roughly equally, rather than based on the capital value of their property.
- A lower UAGC is a blunt instrument for targeting low income households. It will benefit more than 3400 small non-residential properties that are valued at less than \$60,000 including Orion power kiosk sites, vacant land, garages, storage sheds and carparks. The reduced rates for those properties have to be recovered from all other ratepayers.
- Low income households already have significant support to pay their rates:

- They can apply for the government-funded rates rebate, which can contribute up to \$700 towards rates. This is a larger amount than our fixed charges. The maximum rebate is expected to increase next year. We don't know how much it will increase, but we expect it to increase by something like \$50 to \$750.

For more information on the rates rebate, see <https://ccc.govt.nz/services/rates-and-valuations/reductions/apply-for-a-rates-rebate-low-income-earners>.

- People older than 65 and those experiencing financial hardship can apply for a rates postponement, which enables them to draw on the equity in their house to pay the rates.

For more information on rates postponements, see <https://ccc.govt.nz/services/rates-and-valuations/reductions/rates-postponement>

However, we're conscious that any UAGC could be seen as a regressive tax, where the burden falls more heavily on properties with a lower value.

We'd like to hear from you about which option you prefer:

- The Proposed Option with a UAGC of \$153, or;
- The Alternative Option with a lower UAGC of \$50 but a higher capital-value charge.