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Businesses want more for their rates dollar in central Christchurch

For every one dollar a Christchurch homeowner pays as city council rates, the owner of a business premises pays $1.66.

With the central city still getting on its feet, the business sector is calling for more help from council in return for those extra dollars.

Several landlords are known to be reducing rents or providing other financial help for tenants but will not say so publicly. Small eating places and shops have changed hands frequently in some areas.

A new city council committee headed by Cr James Gough will focus on the central city and look at such topics as possible council incentives or relief from costs for both businesses and residents.

"I think people don't realise a lot of the costs involved for businesses," says Annabel Parrant, owner of Unichem Pharmacy on Cashel St and new chairperson of the Central City Business Association (CCBA).

"There's a lot of compliance costs, especially when you're starting from scratch. My insurance is huge. A rates decrease would certainly be helpful."

Like others in the central city, Parrant is battling changing spending and shopping patterns plus uneven foot traffic and quiet winters.

"It's hard, especially with retail, everywhere is really, really hard. With bricks and mortar retail, there's lots of online competition." she says.

"It's really really important that the central city is done right."

Nick Hunt, landlord of the BNZ Centre and Briscoes central city premises, says while "anything would be welcome", the sort of help central city businesses need is good access and parking.

"Costs are too high – some of the businesses in the city are really struggling."

Hunt points out that while offices are leasing well, many organisations only move their staff into central city offices because the staff like the shops, cafes and bars.

He agrees with Parrant that many of the central city's problems are down to changes in retailing, with people shopping online and then going to the shops to eat and drink.

Even in the suburban malls, foodcourts are busy while many shops are quiet, he says.

"Retail is changing dramatically so it is very difficult for the small shops to survive. What we used to think were fairly major shops are having trouble as well.

"It's a difficult world for retailing and it's not just Christchurch."

Shops doing well are those such as gift stores, souvenir shops and book shops that serve tourists or provide an experience, he says. However, he understands the council's financials and doubts easy answers are available.

"We don't want the council to go bankrupt which wouldn't help anybody. We want the stadium and so on and it all has to be paid for."

PAYING OUT

All the city's ratepayers are facing about a 50 per cent increase in rates over the next decade.

In the central city, higher property values compound the effect of the council's differential rating system. Average central city business rates now range from several thousand dollars for small premises, to $20,000 a year for a medium-sized 250sq m store or cafe, to over $500,000 for a major office building.

Typically, business owners pay their landlord's rates as part of their operating expenses, known as opex, alongside their rent.

Maureen Taane, owner of gift store Hapa, that has outlets in both Woolston's The Tannery and a lane off Colombo St, says the central city is difficult for small and establishing businesses.

Even after 20 years in business, she encountered unforeseen hurdles getting going in the central city.

"As experienced as we are, we still ran into some challenges in terms of putting a business into a new building. There's a raft of fees – fire inspections and bits and pieces that we have to deal with and pay, and some of them were unexpected."

Taane believes council could help by providing information, such as signs and maps so shoppers can find what interests them, like a trail of art and craft or gift stores.

Existing Christchurch City Council support for the central city is already provided in the shape of a rebate for development contributions that can otherwise exceed $1 million for a big building project.

And in a new initiative, council-funded promotional agency ChristchurchNZ is helping the CCBA with money and expertise for marketing and promotion.

Canterbury Employers Chamber of Commerce chief executive Leeann Watson says the central city has good growth, but urges more support.

"Businesses pay a significantly higher proportion of rates than residents, often for not a great deal more. We have to be mindful of increased pressure, particularly in the central city."

Watson says with the rebuild slow, businesses have set up in an environment "different from what was promised in the central city blueprint".

"We've got to give tourists and everybody else reasons to come into the central city, at least until the convention centre and stadium are ready."

Events like the lantern festival are much needed attractions, and information on access and parking are also needed, she says.

"What we are seeing is really good – foot numbers and spending is up but that's off a low base. We're heading in the right direction but we need to make sure we don't take our foot off the gas just yet in terms of support."

Restaurant Association figures indicate while spending on eating and drinking is up 1.5 per cent in Canterbury in the past year this increase is well behind other centres, with rises of 4 per cent in Auckland and 5.8 per cent in Queenstown.

New food and drink places are closing or changing hands almost as fast as they are opening as they balance revenue and costs, the association's figures show.

The New Zealand Property Council, which represents property owners, says not a lot of clarity exists about how businesses face higher property taxes.

A recent report from Local Government New Zealand said the "rationale behind rating differentials is not always transparent".

"We'd like to see rating differentials phased out and replaced with an alternative system, something like a targeted rate," says Property Council spokeswoman Kelly Taylor.

"A targeted rate would ring-fence the money for a particular area. If there was a targeted rate for the city, businesses could see that was spent in a particular area rather than going into the general pool.

"The councils are all short of money so they are all trying to get enough money out of rates.

"But you can't just keep putting costs onto businesses. If we keep adding costs and costs to businesses they won't survive," Taylor says.

"In Christchurch it's really important to bring people and business back into the city after the earthquakes. If we make costs too high they cannot afford to be there."

Almost half New Zealand's local councils, and all the main cities charge a differential rating for businesses.

While Christchurch's business rating differential is 166 per cent, across the country these average 250 per cent, according to the Productivity Commission.

Selwyn district does not charge a business differential, while Waimakariri adds a targeted add-on for those in the Kaiapoi and Rangiora town centres.

In this financial year's rates take, Christchurch's 12,000 commercial premises are expected to contribute $111m in rates, while its 158,000 residential ratepayers will pay a total of $239m. Rural ratepayers pay the smallest amount per dollar of property value.

In the city council's budget for this year, 44 per cent of revenue comes from rates. The other main sources of money, in order, are borrowing, fees and charges, cash in reserve, interest and dividends, and grants and subsidies.

Compared with most other councils around the country, Christchurch's reliance on rates as a contributor to revenue is low. Most councils gather a half to three-quarters of their revenue from rates and for some smaller councils the percentage is between 80 and 90 per cent.

New rating valuations being released for Christchurch homes

The Christchurch City Council is hiking rates by 52 per cent over the next 10 years.

Home values in Christchurch have risen an average of just 1 per cent in three years, according to new council rating valuations.

The latest round of three-yearly valuations puts the average value of homes in the city at $540,000.

Property owners will be able to find out their latest rating valuation at the end of the month, with the new values to affect rates bills from July next year.

The valuations determine how the city's rates burden is divided among property owners, not how much rates are paid in total. They have been calculated for the city council by valuation agency Quotable Value (QV).

"If the rating value of your property rises or falls, your rates won't necessarily go up or down with it," council head of financial management Diane Brandish said.

"The important thing is how your property's capital value has changed relative to other properties in the city. If your property's value increases by more than average, then your rates bill will go up by more than average."

QV's analysis shows the values of cheaper homes have risen the most since 2016, while those at the top end of the market have fallen slightly.

The Christchurch City Council's new property valuations will affect rates from July.

The 1 per cent increase follows a 7.3 per cent jump in rating valuations between 2013 and 2016.

Property owners will be able to check their new valuations online on the city council's website from November 27, while revaluation notices will be mailed out to all owners in the first week of December.

Also known as capital valuations, they are done as desktop calculations and are not intended as accurate market valuations.

Ratepayers will have a chance to object to their valuation by late January.

The council's total rates take is decided by councillors shortly before the start of each financial year as part of the annual plan. Rates for the average Christchurch homeowner rose 4.7 per cent this year.

This year, the council has valued 160,000 properties, including commercial premises.

Christchurch's property values have been largely flat since the post-quake building boom boosted the number of houses and units in the city.

Other South Island councils revaluing properties this year are Waimakariri, Dunedin, Central Otago, Gore and Waimate.

New rateable valuations for Horowhenua properties available

New rateable valuations for Horowhenua properties are now available to view.

In New Zealand, councils are funded by a form of property taxation known as rates. At least once every three years every district and city is re-assessed to set the values on which council rates are based for the following three years.

Horowhenua District’s revaluation has been undertaken and property owners will start to receive their valuation notices in the post from 11 November. The new values will be used by Horowhenua District Council to determine rating from 1 July 2020.

Horowhenua District Council’s Chief Financial Officer Doug Law said often revaluations cause anxiety for property owners as they are worried it will increase their rates.

“People often think that an increase or decrease in valuation will automatically result in an increase or decrease in rates. Many people also think that an increase in the district’s values will mean that the Council gets more money. These are misconceptions,” he said.

“How it works is that Council decides through its planning processes how much money it needs to undertake the projects, services and other activities that it will provide for the next 12 months. Having worked out that total, it then calculates the proposed rates by dividing the district’s Land Value into the total dollars that it needs.

"The rating valuation provides the means to share the cost of the rates across the district according to a set of property values that are provided for every property on a common date, 1 August 2019. This means that every property is valued on the same basis and at the same time."

Mr Law said the rateable value of a property will not change for the next three years even if the market value increases or decreases during that time.

Property owners who disagree with their valuation can formally object. Details on how to do so will be contained with the notice.

"The reassessment is a desk based assessment, so if owners have made improvements to their property that haven't required a consent then it may not necessarily have been picked up" Mr Law said.