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# NEW ZEALAND – March 2020



## Tauranga mayor says city's crises and challenges behind push for rates rise

Tauranga residents are facing a hefty rates increase of 12.6 percent to help keep the city's head above water as it struggles with the increasing costs of growth.

Mayor Tenby Powell said Tauranga had fallen behind in funding and infrastructure because of an abject lack of courage in the past.

The city council's policy committee made the recommendation at a meeting on Wednesday.

Powell said he was increasingly feeling less like the mayor and more like the janitor constantly sweeping up yesterday's mess due to visionless leadership.

''It's with salutary recognition that we have a city that is in financial crisis. We've got a housing crisis, we've got growth that hasn't been accounted for, and we've got continued growth which is not going to abate in any regard," he said.

"We have got to do something. I appreciate that Tauranga is one of the highest rated cities in the country. We are a challenging city in the sense that we are New Zealand's fastest growing."

He said the situation was critical for the city.

Tauranga had a topography which was challenging to build on, but it was critical the city start building more houses, Powell said.

The news of the planned rates rise was not well received on the streets.

''It seems quite excessive for the services we are getting,'' one man at the Bethlehem shopping complex said.

''That's mean. Oh dear,'' a woman said.

Another said: ''I think they could do with putting the rates down to make life more affordable for many people.''

However, one ratepayer had a different opinion.

''Well we've got to pay for what everybody wants somehow. I'm quite happy with it.''

The vote for the draft budget which would result in $224m of capital expenditure and the 12.6 percent rates rise only narrowly got through, by a six to five margin.

Councillor Steve Morris, who voted against, said the city had the second highest average residential rates, just slightly behind Auckland.

''So there's no truth [that] our residential ratepayers are not doing their bit. They are more than doing their bit and, unfortunately, in my view we have chosen to kick the can down the road, not have the difficult discussion with [central] government and whack our residential ratepayers again. I'm bitterly disappointed.''

Councillor Andrew Hollis, who voted against, believed a better process would be to hold back growth.

"Let the property prices go up so they become unaffordable so that inner-city living becomes affordable and we can get people motivated to put up apartments in town," Hollis said.

"Until we start thinking along those lines we will never intensify the city centre and then our infrastructure bills will of course keep rising as we stretch ever further to the boundaries of our 135 square kilometre city.''

Powell said any suggestion to hold back city growth was a Trumpesque and isolationist argument.

The public will now be consulted on the draft annual plan.

## Rates increase concerns raised

Proposed rates increases are too much and should be extended over a longer period, locals say.

Bill Townsend and Gerry Eckhoff, both of Alexandra, are concerned that residential rates increases of up to 16% will be a particularly heavy burden for retirees on fixed incomes.

The Central Otago District Council’s draft budgets for the 2020-21 annual plan included some high residential rates increases, including 16% for Teviot Valley, 15% for Ranfurly and Ophir, and 14% for Clyde and Omakau.

Mr Townsend said he was very concerned about the extent of the proposed rate increases.
He had spoken to local people who were ‘‘shocked’’ by some of the proposed increases.

Mr Eckhoff said towns such as Millers Flat and Roxburgh were recognised as ‘‘not wealthy towns’’ and had a ‘‘huge number of superannuants, fixed income people’’.

Some of the rates increases were to fulfil government mandates including waste disposal and improving drinking water quality.

‘‘It is something that has come down from high, from Government, but it’s not affordable, and we think that there should be a far greater degree of intergenerational funding for these projects.’’

‘‘You get superannuitants in this town, [aged] 75-80 onwards. I don’t see why they should pay for the water and sewerage infrastructure that is going to last hopefully for another 50 to 100 years.’’

Mr Townsend questioned why the council was not borrowing to pay for these schemes, in particular when interest rates were so favourable at present.

‘‘Our generation and future generations can pay for it.’’

Council executive manager corporate services Leanne Macdonald said draft budgets for the 2020-21 annual plan would go out for public consultation for a four-week period from March 16.

Three areas that were pushing up council budgets, and in turn rates, were increased costs and service charges, unfunded government mandates and growth.

Water, wastewater, recycling and rubbish were the activities most impacted by rising costs, and because they benefited urban areas the greater increases were falling on urban properties.

Urban property values had experienced significant growth and because some parts of rates calculations were based on property value, that had seen some increases.

The council was focusing its public consultation on a sole topic this year — its proposal to join the Local Government Funding Agency scheme.

‘’Public consultation is a legislative requirement before we can even decide to go down that path of borrowing.’’

At present the council had no debt and would be calling for views from the community on whether it should take on debt to deliver big capital projects in order to spread that cost over all the generations who would benefit from it, not just the people paying their rates today, she said.

## Productivity Commission recommends scrapping rates rebate scheme

Invercargill pensioner Joan Marshall runs a pretty tight household budget, but she'll have to be even more thrifty if a national proposal to scrap a rates rebate scheme is adopted.

The Productivity Commission has recommended the Government should scrap the rates rebate scheme, which helps some low income owners with a payment towards their annual rates bill of up to $640.

Instead, it has recommended a national scheme for postponing rates would be better.

Marshall said the receiving the rates rebate made an enormous difference to her budget.

"It's like Christmas comes again when I get it. It makes a huge difference to your way of life," she said.

"It's a very effective scheme. It is very well vetted so that only the people that need it, get it. I am most grateful for it."

The Department of Internal Affairs had to March 2 approved payments for 103,367 applications for the rates rebate scheme, for a total of $60,201,285 (GST inclusive).

The recommendation has not found favour with Grey Power, who say the scheme is well run and effective.

National president Mac Welsh said the organisation "absolutely disagreed" with abolishing the scheme.

"[It's] Another example of people with nothing to do and all day to do it in, looking for headlines," he said.

The scheme in its current form directed the rebate to the area of most need and was means tested, he said.

"The Productivity Commission should keep its nose out of areas that don't concern it and that it has not got a brief to interfere in. The scheme in its current format is well run and effective."

His only concern with the current scheme was the number of people who qualified for payments that did not apply to receive them, but Grey Power was working hard to rectify this.

Local Government Minister Nanaia Mahuta said the Government was carefully considering the recommendations.

"It would be inappropriate for me to comment on the recommendations prior to the Government deciding on its response."

Commission principal advisor Geoff Lewis said the burden of rates was shared by all households either directly, or indirectly through rents and through purchasing goods and services from businesses.

The commission argued that central government was best placed to tackle pressures on low-income households facing high housing costs

"Concerns about the affordability of rates typically focus on low-income (particularly elderly) households who own their own homes, usually without a mortgage. Yet evidence shows that such households generally have much lower housing costs than other low-income New Zealand households who rent or who have a mortgage," Lewis said

Relative to these other low-income households, and many other households, they are much less likely to be experiencing material hardship as a result of housing costs, he said.

The scheme was inequitable because renting households in otherwise similar circumstances and with similar or greater housing costs do not qualify, and it was both administratively cumbersome and modest, with the maximum payment amounting to a little over $12 a week, or $630 a year, Lewis said.

The Commission said a national scheme for postponing rates would better fulfil the purposes that the rates rebate scheme was designed to address.

"This would make it easier for homeowners on low incomes to borrow against the equity in their houses to pay their rates. Such a scheme could be designed to operate at scale to keep the administrative and interest costs low."

It also recommended the scheme be shifted online to approve efficiency.

To qualify for the rebate, ratepayers must have an income of less than $25,660 a year, but may still be eligible if they earn more than that.

The additional income allowance for dependents is $500 per dependent, and the ratepayer must have lived in their own property from the start of the rating year on July 1.

The scheme is administered by councils, and the payments are paid by the Department of Internal Affairs.

The Government asked the Productivity Commission to undertake an inquiry into local government funding and financing, and where shortcomings in the current system are identified, to examine options and approaches for improving the system.

The Commission is an independent Crown entity that was established in April 2011. It completes in-depth inquiry reports on topics selected by the Government, carries out productivity-related research, and promotes understanding of productivity issues.