

CHRISTCHURCH CITY COUNCIL SUPPLEMENTARY AGENDA

THURSDAY 13 NOVEMBER 2014

9.30AM

**COUNCIL CHAMBER, CIVIC OFFICES,
53 HEREFORD STREET**

CHRISTCHURCH CITY COUNCIL

**Thursday 13 November 2014 at 9.30am
in the Council Chamber, Civic Offices, 53 Hereford Street**

Council: The Mayor, (Chairperson).
Councillors Vicki Buck, Jimmy Chen, Phil Clearwater, Pauline Cotter, David East, Jamie Gough,
Yani Johanson, Ali Jones, Raf Manji, Glenn Livingstone, Paul Lonsdale, Tim Scandrett and
Andrew Turner.

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COUNCIL 13. 11. 2014**43. RESOLUTION TO BE PASSED - SUPPLEMENTARY REPORT**

Approval is sought to submit the following report to the meeting of the Council on 13 November 2014:

- **EXPANSION OF FAIR & EQUITABLE RATES REMISSIONS**

The reason, in terms of section 46A(7) of the Local Government Official Information and Meetings Act 1987, why the report was not included on the main agenda is that it was not available at the time the agenda was prepared.

It is appropriate that the Council receive the report at the current meeting.

RECOMMENDATION

That the report be received and considered at the meeting of the Council on 13 November 2014.

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44. EXPANSION OF FAIR & EQUITABLE RATES REMISSIONS

General Manager responsible:	Chief Financial Officer
Officer responsible:	Corporate Finance Manager, Corporate Finance Unit
Author:	Funds & Financial Policy Manager, Corporate Finance Unit Steve Ballard Ext 8447

1. PURPOSE AND ORIGIN OF REPORT

1.1. This report recommends that the Council:

- Consider the appropriateness of rates remissions for four identified earthquake-related circumstances not covered by existing remissions, and
- Adopt a new remission for only one of these circumstances.

2. EXECUTIVE SUMMARY

2.1. Four circumstances have been identified in which ratepayers may be experiencing significant earthquake-related hardship due to circumstances not currently addressed by Council's earthquake remissions – specifically:

- Properties identified as Mass Land Movement Class I risk in the Port Hills;
- Properties experiencing significant delays in their insurance settlement;
- Business properties unable to be accessed due to surrounding fences; and
- Residential properties subject to the risk of rock-roll or cliff collapse which are not subject to an evacuation notice under section 124 of the Building Act because they are vacant sections.

2.2. The rates system is a taxation system, which is relatively cumbersome to administer and provides minimal ability to apply judgement about whether individual cases meet the intention of approved relief. Care is required to ensure that relief is only delivered through the rating system (rather than a dedicated relief fund) when it is more efficient to do so.

2.3. Any remissions reduce the rate-paying base and shift the burden on to remaining ratepayers. Total current remissions (ie. earthquake-related and other) have the effect of increasing existing ratepayers' rates by 1.5 percent.

2.4. It is recommended that a new earthquake-related rates remission be adopted only for properties identified as Mass Land Movement Class I risk in the Port Hills.

3. DETAILED DISCUSSION

3.1. Council has provided a range of earthquake-related rates remissions since September 2010. Current published remissions are:

- **Uninhabitable** – Partial remission for residential properties which are unable to be occupied – rates are charged on land value only, as if the property has been demolished.
- **Business** – Partial remission for business properties unable to progress with assessment, repair or rebuild due to an adjacent earthquake-damaged building – set at 30%, although there are no longer any properties known to qualify.
- **Vacant Red Zone** – Full remission for residential red-zoned properties that were vacant or under construction as at 22 February 2011, until such time as a decision on the future of the land has been made (including a Crown purchase offer).
- **s.124** – Full remission for Port Hills residential properties served with an evacuation notice under section 124 of the Building Act relating to geotechnical risk.

3.2. In addition, Council has recently approved two new remissions under the fair and equitable remission published in the Annual Plan (the purpose of which is to acknowledge that not all situations can be foreseen in advance):

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- **Flooding** – Full remission for residential properties affected by the March 2014 flooding events (provided that the property is vacant and that progress with repair cannot be made until after Council remediation work had been completed).
 - **Mass Land Movement** (10 Cliff St) – A full remission was approved in April 2014 for Port Hills residential properties identified as Mass Land Movement Risk Class I, where the land was vacant or under construction at the time the classification was identified.
- 3.3. Care is required when providing relief through rates remissions rather than a dedicated relief fund. Rates are a tax which must be levied uniformly across all ratepayers in similar circumstances; they are relatively difficult to switch on and off, and permit less judgement than a relief fund around whether any particular case is consistent with what was originally intended. They may also be less transparent than a relief fund, in the sense that revenue foregone tends to be more difficult to track than cost incurred, and it may be less clear when the originally intended budget has been reached or exceeded.
- 3.4. Nevertheless, relief through the rates taxation system may be useful where the need being addressed is sufficiently common or well-defined that a systematic (rather than individualistic) approach is more efficient to administer. Four circumstances have been identified where such an extension to current rates remissions might be appropriate:

Mass Land Movement Class I – all properties

- 3.4.1. The current Mass Land Movement remission only applies to properties which were vacant or under construction at the time of being identified, analogous to red zone vacant sections. Arguably, this does not go far enough, as owners of developed sections are also unable to progress with repair or sale until after certain Council actions have been finalised – in particular:
- For land which is uneconomic to remediate, owners cannot progress until after Council has decided on a purchase offer (analogous to red zone purchase offers); and
 - For land which the Council is to remediate, owners cannot progress until such work has been completed by the Council (analogous to the flooding remission).
- 3.4.2. Addressing this issue through the rates system is considered practicable, because:
- The properties in question are easily identified (there are 49 in all, of which 11 are red-zoned, 16 are uneconomic to remediate, and 22 will be protected by Council remediation); and
 - Any remission to these properties could be made consistent with the principles underlying existing earthquake remissions (in particular, that the property must be vacant, and that the owner's progress must be being prevented by Council and/or Crown actions).
- 3.4.3. Care would still be required, to avoid remissions becoming expected in every situation in which Council or Crown activity is creating inconvenience to owners (for example, road works, or delays in city re-zoning decisions which may affect the value of land identified in the LURP as appropriate for more intensive development).
- 3.4.4. It is recommended that this type of remission **BE ADOPTED**, subject to the following criteria:
- The remission applies to properties formally identified as being Mass Land Movement Class I risk, on the grounds that owners cannot proceed with their earthquake recovery until certain Crown and/or Council decisions have been made; and

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- The remission only applies to green-zoned properties, on the grounds that red-zoned properties are either already receiving the vacant red zone remission or have qualified for a Crown purchase offer; and
 - The remission is set at 100% (consistent with red zone vacant land, s.124, and March 2014 flooding remissions), and should cease at the earlier of:
 - 30-June 2015 (ie. subject to review in the Long Term Plan),
 - The date at which a Council and/or Crown purchase offer is either settled or rejected, or
 - The date at which Council remediation work intended to protect the property is completed.
- 3.4.5. The cost of this remission would be equal to the total rates payable on qualifying properties; currently less than \$80,000 per year.

Extended insurance settlement delays – all properties

- 3.4.6. Current remissions assume that, once a property is vacated for the purpose of insurance repair, then the repair will proceed and the cost of accommodation during the repair period is reasonably the responsibility of the owner (and assumed to be covered by their insurance). In practice, it seems relatively common that owners experience significant unexpected insurance delays between vacating and completion, such that the insurance contribution is inadequate to cover the greater-than-anticipated cost of interim accommodation.
- 3.4.7. Although such delays undoubtedly place ratepayers in a difficult financial position, it is not considered appropriate to respond to this through the rating system. In particular:
- There is no justification for providing rates relief to owners experiencing extended insurance claims for earthquake repairs, but not to similar delays for non-earthquake claims, or for other delays caused by lack of insurance, the owner's ill-health, house destroyed by fire, or financial difficulty (say, that delays completion of extensive DIY renovation).
 - Rating staff resources are inadequate to manage the assessment process that such a remission would require, including:
 - Assessment of insurance entitlements and payouts to date (eg. is the claimant receiving no rental support because they have previously accepted a lump sum settlement?),
 - Assessment of rental costs (possibly including judgement about whether such costs result in significant financial difficulty),
 - Assessment of the cause of the delay (eg. is the delay caused by the demands of the claimant, rather than the insurer? Are such demands reasonable?),
 - The cost of any such remission is un-quantifiable.
- 3.4.8. Such financial difficulties are more appropriately dealt with through a needs-based relief fund, and Council currently provides such relief (on an invoice-by-invoice basis) through the Mayor's Welfare Fund.
- 3.4.9. It is recommended that this type of remission is **NOT ADOPTED**. Staff are unable to offer any workable criteria should Councillors wish to proceed.

Restricted access due to surrounding fencing – business properties

- 3.4.10. Business properties were previously granted a 30% rates remission if they could not be accessed due to the Central City Cordon. The official Cordon was removed on 30 June 2013, but numerous fences remain on a block-by-block basis. Arguably, the former 30% Cordon remission should be extended to apply to all business properties which are inaccessible due to surrounding fencing.

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3.4.11. It is not clear whether this argument is valid. Any rates remission should in principle only apply where the fencing is in place because of Council (or CERA) requirements, **and** where the purpose of the fencing is to prevent owners and insurers from accessing the building. In practice, it is now not clear whether there are any examples of such fencing – in particular:

- In many instances, it is apparent that some buildings are in the process of demolition or re-development within existing fences (as has been standard safety practice for many years); it is not considered appropriate for Council to provide rates remissions to some owners within a fenced block if other owners have been able to proceed (ie. where it does not appear to be the fence that is preventing the owner's progress).

Example: activity within a fence on Manchester St (July 2014)



3.4.12. In the absence of convincing evidence that a problem exists, it is recommended that this type of remission is **NOT ADOPTED**. However, if Councillors wish to proceed, the following criteria would be recommended:

- The remission only applies to business properties located within a fence which is:
 - Owned by Council or CERA, and
 - Erected for the purpose of limiting access to the site, such that owners and insurers are unable to progress with assessment, repair, or re-development.
- The remission should be set at 30% (consistent with other business remissions), and should cease at the earlier of:
 - 30-June 2015 (ie. subject to review in the Long Term Plan), or
 - The date at which the fence is removed or no longer in Council or CERA ownership.

3.4.13. The cost of this remission would be the total rates payable on all qualifying properties; currently believed to be zero (aside from the staff time required to investigate any claims), but potentially un-quantifiable because the extent and ownership of fencing across the city is not known with certainty.

Vacant sections subject to rock-roll or cliff collapse risk – all properties

3.4.14. The current s.124 remission only applies to developed properties, as s.124 notices can only legally be served on buildings, not land. Arguably, the current remission is inequitable, as it discriminates against owners of bare land, and in particular against those owners who have demolished their s.124 building.

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3.4.15. This argument has some validity, particularly where an owner receiving a 100% remission on their damaged home starts being billed for rates on the land once the building is demolished. However, three considerations support the continuation of the current approach as the most equitable:

- Generally, the intended beneficiaries of Council's residential rates remissions are homeowners no longer able to live in their homes; the demolition of the home is assumed to indicate that the owner is living elsewhere and can progress their recovery through their insurance claim. Any extension of remissions to cover bare land previously occupied by s.124 properties may also need to be provided to all other vacant sections where the former house had been demolished (plus properties currently receiving the uninhabitable remission) – it would be impractical for the rates system to attempt to track which demolitions relate to s.124 homes, otherwise uninhabitable homes, or just normal insurance repairs.
- The exception to this focus on the house (rather than the land) is where the owner's ability to progress is being hampered the need for the Crown or Council to do something (eg. make a purchase offer decision, or complete remedial work on the land). However, there are no situations in which residential owners are waiting for Council remediation of rock-roll or cliff collapse risks (ie. this exception does not apply to s.124 land).

3.4.16 It is recommended that this type of remission is **NOT ADOPTED**.

4. FINANCIAL IMPLICATIONS

- 4.1. The cost of the recommended remission for Mass Land Movement Class I land is less than \$80,000 per year. The cost of other potential new remissions is un-quantifiable, as the number of qualifying properties cannot be estimated.

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That the Council consider the potential for new rates remissions as follows:

- 5.1 A new rates remission relating to properties identified as Mass Land Movement Class I risk in the Port Hills **BE ADOPTED**, subject to the following criteria:
- 5.1.1 The remission applies to properties formally identified as being Mass Land Movement Class I risk, on the grounds that owners cannot proceed with their earthquake recovery until:
- The Council has decided on a purchase offer, or
 - Where the Council is to remediate land, such remediation that is relevant to the affected property has been completed;
- 5.1.2 The remission only applies to green-zoned properties, on the grounds that red-zoned properties are either already receiving the vacant red zone remission or have qualified for a Crown purchase offer; and
- 5.1.3 The remission is set at 100% (consistent with red zone vacant land, s.124, and Mar-14 flooding remissions), and should cease at the earlier of:
- 30-June 2015 (ie. subject to review in the Long Term Plan),
 - The date at which a Council and/or Crown purchase offer is either settled or rejected, or
 - The date at which Council remediation work intended to protect the property is completed.
- 5.2 Remissions for the following circumstances **NOT BE ADOPTED**:
- 5.2.1 Properties experiencing continued significant delays in their insurance settlement,
- 5.2.2 Business properties unable to be accessed due to surrounding fences, and
- 5.2.3 Residential properties subject to the risk of rock-roll or cliff collapse which are not subject to an evacuation notice under section 124 of the Building Act because they are vacant sections.