

## SPORTS ORGANISATIONS - RATING, GROUND CHARGES & LEASE COSTS

### Leasing Charges

The leasing conditions and charges for sports clubs occupying the Council's land vary widely. This has primarily been a result of the various policies adopted by the Christchurch City Council's predecessor councils. Work has been going on since 1997 to establish a more equitable policy.

Work to develop such a policy has focused on:

- The need to account for parks and reserves assets in a transparent manner.
- Fulfilling the Council's obligations under the Local Government Amendment Act No. 3 1996 (funding policy).
- The need to be aware that most recreation and sports organisations are reliant on voluntary labour as well as liquor sales, sponsorship and in some cases hiring of facilities to survive.
- A recognition that in many instances the recreation and sports organisations have invested in improvements in the properties and carry out the maintenance required on the sports surfaces at no cost to the Council.
- A recognition that whilst technically sports and recreation organisations that lease Council land are able to sell their facility assets, in reality the constraints imposed by the Reserves Act makes this very unlikely in most cases.
- The constraints and provisions of the Reserves Act and Local Government Act on leasing arrangements.
- Balancing recreation and sports organisations' rights to exclusive occupation under a lease and the public's right to access to parks and reserves land.
- The need for a degree of equity with similar organisations on freehold land.
- The need for a charging policy that is open and able to stand up to public scrutiny.

The Council introduced the following formula to calculate the level of rent for the building footprint on Council reserves.

$$(A \times B \times 5\%) \times 80\%$$

Where A is a per square metre value of reserve land (the average government valuation for a sample of reserves).

B is the area of land in square metres

5% is the percentage financial return on the land value

80% is applied to reflect the private benefit enjoyed by the club (20% being the general benefit provided to the public by the club).

Use the following formula to calculate the level of rent for green space on Council reserves:

$$(A \times B \times 5\%) \times 20\%$$

Where, as above, with 20% applied to reflect the private benefit enjoyed by the club (80% being the general benefit to the public provided by the club).

### Rating

Under Section 179(2) of the Rating Powers Act (1988) (the Act) a mandatory 50% remission of rates is applicable on land "owned or occupied by or in trust for any society or association of persons, whether incorporated or not, and principally used for games or sports other than horse racing, trotting or dog racing, but not included land in respect of which a club licence under the Sale of Liquor Act 1962 is for the time being in force".

The Act also enables the Council to grant a greater remission of rates over and above the mandatory 50% should it think fit.

The Council's practice in this area has been to levy full rates for those parts of the relevant recreation and sports organisations premises that are licensed, with the 50% mandatory rates remission being given on the remainder of the property used for sporting purposes.

When the Rating Powers Act was enacted in 1988 the sale of alcohol was for many recreation and sport organisations a lucrative mechanism for raising funds. With the subsequent changes in attitude towards drink driving, rising consumer expectations of levels of comfort and changing socialising patterns, bars are at best marginal fund-raisers for most recreation and sport organisations.

### Ground Charges

Ground charges are made for the sports codes that make use of the Council's sports fields during the relevant sports season. The charges are normally made to the relevant sports association, which allocates grounds to individual clubs and then passes on the relevant ground charges to the clubs.

Where ground charges are made, the sports organisations concerned make use of the area exclusively for relatively short periods during the week, i.e. match and training times, with the area being available to the general public at other times.

Ground charges have been recovered on the basis of 20% of the additional cost of providing the sports area (i.e. over and above the costs of providing a piece of open park land). Consequently the costs have been significantly subsidised and the costs charged have had a relationship to the level of additional maintenance required (so the charge for a cricket wicket is higher than for a rugby pitch).

### Revised Policies

The following policy decisions have been approved as part of the 2002 Financial Plan process:

- Charges to the Regional Sports Associations for sports grounds are to be abolished, except for the maintenance component for Council prepared cricket wickets.
- Not-for-profit organisations occupying Council land for the purposes of games and sports (other than horse racing, trotting or dog racing) are to be subject to a 100% remission from rates and be charged only for water consumption.
- Not-for-profit organisations occupying private land for the purposes of games and sports (other than horse racing, trotting or dog racing) are to be rated only for water, sewerage and storm water, subject to a 50% remission, and that the standard charges for excess water be payable.
- Lease charges for not-for-profit recreation and sports organisations leasing approximately 1 hectare or less, are to be based on the formulae set out above subject to a minimum charge of \$112.50, subject to three yearly review.