

6. RATING FOR 2003/04 – EXCESS WATER CHARGES FOR TENANTED RESIDENTIAL FLATS

Officer responsible Director of Finance	Author Geoff Barnes, DDI 941-8447
---	---

The purpose of this report is to advise the Strategy and Resources Committee of a ratepayer's request to review the excess water charge targeted rate so that the residential sector is removed from the charge regime.

BACKGROUND

The Mayor has referred to this Committee a letter objecting to the Council's policy of including tenanted residential properties in its scheme for charging for excess water. This ratepayer had not accepted explanations provided by staff.

Excess water charges are imposed on all non-private residential rating units where the consumption exceeds the allowance. The charges are potentially made on residential flats where there are three or more dwelling units on a rating unit. This is based on an assumption that the dwelling units will be used as a commercial operation, that is residential tenancies. It is possible the ratepayer owner will be one of the occupants of the dwelling units, the other two (or more) will be let for commercial return.

THE EXCESS WATER CHARGE RESOLUTION

This is contained in the report on rate policies in this agenda. There is no change proposed in this resolution. This charge, as with all other rate charges, will be subject to the next Annual Plan consultation process. The ratepayer may make a submission at that stage.

The Council charges for water supply as measured by water meter with an allowance sourced from the water targeted rate assessed on the rating unit. The Christchurch City Water Related Services Bylaw 2001 outlines the intention to charge.

The scale of charges for the excess water supply targeted rate is:

- Water used in excess of the allowance, will be charged to all consumers having an extraordinary supply, as defined in the Christchurch City Water Related Services Bylaw 2001.
- The extraordinary supply is that made to non-private residential consumers, i.e. made to all other consumers.
- Residential consumers with one or two dwelling units on the rating unit are deemed private residential consumers.
- The allowance is determined annually by dividing the water targeted rate assessed on the rating unit by an allowance factor. The allowance factor unit rate will be determined by Council resolution from time to time and is currently 27 cents. The water allowance is currently 1 cubic metre for each complete 27c (the factor) of the targeted water rate assessed, with a minimum of 255 cubic metres.
- The allowance is determined following the rates assessment.
- Rating units having an "ordinary supply" as defined in the Christchurch City Water Related Services Bylaw 2001, i.e. principally residential single units on a rating unit, will not be charged an excess water supply targeted rate.

There is an underlying principle that rating units used for income generation be charged for excess water. The distinction of what is "commercial" residential as compared to the dwelling of the owner is made on the assumption that an owner could feasibly use one or two dwelling units but not three or more. There are practical limits to the 'extended' family concept. If a ratepayer contended that the dwelling units were occupied by his or her family rent free or were owned in common then Council would look favourably on an exemption to the excess charge as there would be no commercial purpose.

As an aside, all other users are charged the excess, namely sports clubs, churches, farms, businesses etc. Only private residential use is exempt.

POSSIBLE CHARGES FOR 'COMMERCIAL' RESIDENTIAL PROPERTY

As examples of the charging regime, the following outlines how the charges relates to residential flats.

For example, a block of three flats with, say, a capital value of \$80,000 per unit or \$240,000 total, would pay \$105 water rates p.a. and from that get 390 cubic metres water allowance or 130 cubic metres per dwelling unit. Assuming the consumption was 300 m³ per unit per annum then the excess would be 510 m³, which at a 28 cents charge per m³ generates an excess charge of \$142 or \$47 per unit.

The individual dwelling unit value needs to be in excess of \$185,000 capital value each (approx) before the allowance is greater than the consumption at 300 m³ per dwelling unit.

The 'no excess' capital value is high for residential, most rental flats in blocks in the city are unlikely to exceed \$100,000 per unit.

The potential for an excess water charge is primarily the result of a low water rate at \$43 water rates per \$100,000 of capital value for the residential sector. This is due to a low net cost of water supply per cubic metre, averaging approximately 27 cents m³ (i.e. \$10m operating net cost per annum divided by 40m m³ supplied). The low water rate generates a low allowance, which coupled with a low capital value for residential flats gives the potential for the allowance to be exceeded. The minimum allowance of 255 m³ is for the whole rating unit.

It should be noted that the overall cost per metre for water consumed is still low at 29 cents.

CONCLUSION

The charge regime may seem selective from this ratepayer's perspective. However, the Council had a long-standing policy of charging all those other than private residential. In the case of landlords, they are using the land for business no different from any other commercial ratepayer. The costs are small because water supply has a low net cost and few are charged because of excessive consumption.

Staff

Recommendation: That no change to the current policy of charging for excess water on tenanted residential properties be made at this time and that it be noted that any ratepayer can object to the rating policy when it is promulgated in each Annual Plan consultation.

Chair's

Recommendation: That the above recommendation be adopted.