

15. RATES RELIEF FOR OWNERS OF EARTHQUAKE DAMAGED PROPERTY

General Manager responsible:	General Manager Corporate Services
Officer responsible:	Corporate Finance Manager
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PURPOSE OF REPORT

1. On 18 November 2010 the Council adopted a range of rates remissions to provide some financial relief for the owners of property damaged by the 4 September 2010 Canterbury earthquake and aftershocks. The purpose of this report is to recommend to the Council the extension of that Rates Remission Policy to provide relief for those ratepayers most badly affected by the 22 February 2011 earthquake.

EXECUTIVE SUMMARY

Rates Relief provided following 4 September 2010 earthquake

2. At a public workshop on 16 November 2010 Councillors discussed a range of possible rates remissions options that would offer some financial relief to those property owners most adversely affected by the September earthquake. On 18 November 2010 the Council resolved the following:

“to amend its Rates Remission Policy to enable the provision of rates relief to the owners of earthquake-damaged properties as follows:

- (i) *Remit 40 per cent of rates for residential properties on land identified by EQC requiring remediation, from 1 September 2010 until the earlier of the completion of rebuilding or six months following completion of land remediation if building has not commenced;*
 - (ii) *Remit 40 per cent of rates for residential properties which are uneconomic to repair for the period which the house is unable to be occupied;*
 - (iii) *Remit 40 per cent of rates for three months to those properties that remain unable to connect to the reticulated wastewater network at 31 October 2010;*
 - (iv) *Remit 30 per cent of rates for business properties classified by Council as R1 (significant damage repairs strengthening possible) and R2 (severe damage demolition likely) from 1 September 2010 until the property is either rebuilt, strengthened and reoccupied, or revalued to reflect condition;*
 - (v) *Remit 30 per cent of rates for business properties classified by Council as R3 (unsafe due to adjacent property) for three months from 1 September 2010; and*
 - (vi) *Remit 30 per cent of rates remission for business properties immediately adjacent to R3 properties where the occupant business has been significantly adversely affected for three months from 1 September 2010”.*
3. The Council also delegated to the General Manager Corporate Services authority to finalise the wording and publish the Rates Remissions Policy.
 4. Following the significant aftershock on 26 December 2010 in which a small number of additional properties sustained damage the wording of the Rates Remissions Policy was amended to provide rates relief for properties damaged during that aftershock. This minor change was approved by the General Manager Corporate Services using his delegation from the Council.

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5. The 22 February 2011 earthquake has caused land and property damage on a far greater scale than earlier earthquakes and aftershocks (see table below), but the Council's Rates Remissions Policy does not currently provide for properties damaged by that earthquake. It is not yet possible to determine exactly the number of properties damaged or the financial value of that damage, but estimates are as follows:

Earthquake	September	February
Land abandoned or remediated	856	3,000 (est.)
Residence demolished	1,200 (est.)	7-10,000 (est.)
Commercial Demolitions		650 (est.)

6. Civil Defence building evaluation data as at 8 April 2011 showed the following:

	Red Sticker	Demolition Undertaken	Total Inspected
Commercial	988	16	5,332
CBD	1,051	15	4,300
Residential	1,773	3	60,001
Heritage	373	6	1,006

Wastewater Services	
Households with functioning wastewater system	94%
Portaloos delivered	2,814
Chemical toilets delivered	28,016
Disposal tanks in place	450

7. Staff propose that the Council extend the earthquake related rates remissions policy to provide rates relief to the owners of properties who have or will suffer significant and ongoing interruption to Council-provided services or who cannot access those services because their property is or was inside safety cordons. It is also proposed that:
- The extension to the policy relate only to the 2010/11 rating year, and that any remissions beyond 30 June 2011 be considered as part of the 2011/12 Annual Plan.
 - The remissions criteria for residential and non-rateable properties be simplified from the current policy as set out at 2 (i) and (ii) above to "40 per cent rates remission for residential and non-rateable properties that are unable to be occupied". Ratepayers applying for rates remissions prior to 30 June 2011 are unlikely to have the information necessary to determine which criteria of the earlier policy they qualify for remissions under (eg. an assessment of whether their land will be remediated). Also, because the remission will only run until 30 June the earlier criteria can be reinstated if required and the period of remission can be extended or limited as necessary when the Council considers remissions as part of the 2011/12 Annual Plan.
 - The remission for interruption of wastewater services ("Remit 40 per cent of rates for three months to those properties that remain unable to connect to the reticulated wastewater network at 31 October 2010") not be extended to the current earthquake because of the scale of destruction and the significant costs incurred in providing alternative solutions for sewage disposal.

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(d) The policy providing remissions to businesses that have been adversely affected by the cordon be changed from "rates remission for business properties immediately adjacent to R3 properties where the occupant business has been significantly adversely..." to "rates remission for business properties within the Red Zone".

8. The recommended options and estimated costs are outlined below:

Incremental cost of extending the rates remission policy	2010/11 upper estimate of cost
40% rates remission for residential and non-rateable properties that are unable to be occupied	\$1.503m
30% rates remission for business properties demolished or classified by Council as R1 (significant damage repairs strengthening possible) and R2 (severe damage demolition likely)	\$0.752m
30% rates remission for business properties classified by Council as R3 (unsafe due to adjacent property)	<i>included within estimate of R1 and R2 costs above</i>
30% rates remission for business properties within the Red Zone	\$1.042m
Total cost of recommended remissions	\$3.297m

FINANCIAL IMPLICATIONS

9. The estimated cost of extending the existing remissions policy to the February earthquake as outlined in this report is between \$2.188 million and \$3.297 million in 2010/11. The \$1.109 million difference between the low and high estimate relates to the uncertainty around the number of residential properties that may be demolished or abandoned in the current rating year. The low estimate of remissions for 2,000 residences is based on the 1,773 residential properties with red stickers as at 8 April 2011. This high estimate of 8,000 remissions links to the figure of 10,000 demolitions indicated by Ministers.

Residential Rates Remission	Low Estimate	High Estimate
Average remission	\$188	\$188
Properties	2,000	8,000
Total Cost	\$376,000	\$1,503,000

Rates Remission	Low Estimate	High Estimate
Residential	\$376,000	\$1,503,000
Commercial	\$1,794,000	\$1,794,000
Total Cost	\$2,188,000	\$3,297,000

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10. Based on applications received to date the cost of rates remissions for properties damaged during the September and Boxing Day earthquakes is \$0.381million. The total cost of remissions for the September, Boxing Day and February earthquakes is therefore estimated to be a maximum of \$3.678 million.
11. The administration of rates remissions as recommended would require additional staff resources within the Rates and Debt Management Team. This is estimated as 1.0 FTE for the remainder of 2010/11 at a cost of \$13,000.

Do the Recommendations of this Report Align with 2009-19 LTCCP budgets?

12. No.

LEGAL CONSIDERATIONS

13. The Council adopted a Rates Remission Policy in the 2009-19 LTCCP and amended that policy in November 2010.
14. Section 102(4)(b) of the Local Government Act 2002 (as amended late last year) enables a Rates Remission Policy to be amended at any time using the special consultative procedure. The Canterbury Earthquake (Local Government Act 2002) Order 2010 exempts the Council from this provision in certain circumstances.
15. One of the purposes of the Canterbury Earthquake Recovery Act 2011 is to provide appropriate measures to ensure that the Council responds to, and that Christchurch and its community recover from, the impact of the Canterbury Earthquakes.
16. That Act states that Canterbury Earthquakes "means any earthquake in Canterbury on or after 4 September 2010 and includes any aftershock.
17. The Canterbury Earthquake Recovery Act 2011 repeals the Canterbury Earthquake Response and Recovery Act 2010. However section 88 of the new Act states that every Order in Council made under the 2010 Act, and still in force, is to be treated as having been made under the new Act. This includes the Canterbury Earthquake (LGA 2002) Order 2010.
18. Should the Council resolve to amend its Rates Remissions Policy as recommended in this report that decision would fall within the purposes of the Canterbury Earthquake Recovery Act 2011. The Council is therefore entitled to rely on the exemption from compliance with section 102(4)(b) of the Local Government Act 2002 provided for in the Canterbury Earthquake (LGA 2002) Order 2010.

ALIGNMENT WITH LTCCP AND ACTIVITY MANAGEMENT PLANS

19. Not applicable.

ALIGNMENT WITH STRATEGIES

20. Not applicable.

CONSULTATION FULFILMENT

21. The Council adopted a new significance policy in its 2009-19 LTCCP. This requires the Council to consider undertaking a Special Consultative Procedure before making decisions that would result in changes to levels of service specified in the LTCCP.

22. The exemptions provided by the Canterbury Earthquake (Local Government Act 2002) Order 2010 enable the Council to make the decisions sought in this report without having to undertake a Special Consultative Procedure before doing so.

STAFF RECOMMENDATION

It is recommended that Council:

- (a) Resolve to amend its Rates Remission Policy to enable the provision of rates relief to the owners of earthquake-damaged properties as follows:
 - (i) 40 per cent rates remission for residential and non-rateable properties damaged by the 22 February 2011 earthquake that are unable to be occupied from the date the property became unable to be occupied until the earlier of reoccupation or 30 June 2011.
 - (ii) 30 per cent rates remission for business properties demolished or classified by Council as R1 (significant damage repairs strengthening possible) and R2 (severe damage demolition likely) following the 22 February 2011 earthquake from 22 February 2011 until the earlier of 30 June 2011 or the property is able to be occupied.
 - (iii) 30 per cent rates remission for business properties classified by Council as R3 (unsafe due to adjacent property) following the 22 February 2011 earthquake from 22 February 2011 until the earlier of 30 June 2011 or the property is able to be occupied.
 - (iv) 30 per cent rates remission for business properties located within the Red Zone following the 22 February 2011 earthquake from 22 February 2011 until the earlier of 30 June 2011 or the property is able to be occupied.
- (b) Delegate to the General Manager Corporate Services authority to finalise the wording and publish the amended Rates Remission Policy.
- (c) Delegate to the Transactions Team Manager authority to approve earthquake-related rates remissions in accordance with Council policy.

ASSESSMENT OF OPTIONS

	Benefits (current and future)	Costs (current and future)
Social	None Identified	Nil
Cultural	None Identified	Nil
Environmental	None Identified	Nil
Economic	Provides financial relief to those residential and commercial ratepayers who are extremely adversely affected by the earthquake.	\$3.297 million in 2010/11.

Extent to which community outcomes are achieved:

The preferred option contributes to the following community outcomes:

- **A Prosperous City**
Providing rates relief to the worst affected of Christchurch's ratepayers will assist them during current financial difficulties and help enable their future prosperity.
- **A City of Inclusive and Diverse Communities**
Providing rates relief for those people worst affected by a natural disaster will continue the post-earthquake support that has brought our community closer together.

Impact on the Council's capacity and responsibilities:

The financial cost of providing rates relief must be met from other sources. Staff are in discussions with central government to meet the cost of the required rates remissions.

Effects on Maori:

None identified.

Consistency with existing Council policies:

The preferred option would extend the eligibility criteria of Council's existing Earthquake Related Rates Remissions Policy to allow for rates relief for those ratepayers extremely adversely affected by the 22 February earthquake and aftershocks.

Views and preferences of persons affected or likely to have an interest:

It is possible that a large number of ratepayers will consider that they are entitled to rates relief because of minor or moderate damage to their properties or temporary interruptions to Council services. This view must be balanced against the widely-held view that rates and rates increases must be kept to a minimum. Consideration of rates relief must, therefore, balance a desire to assist ratepayers affected by the earthquake with the need to pay for that assistance.

Other relevant matters:

None identified.