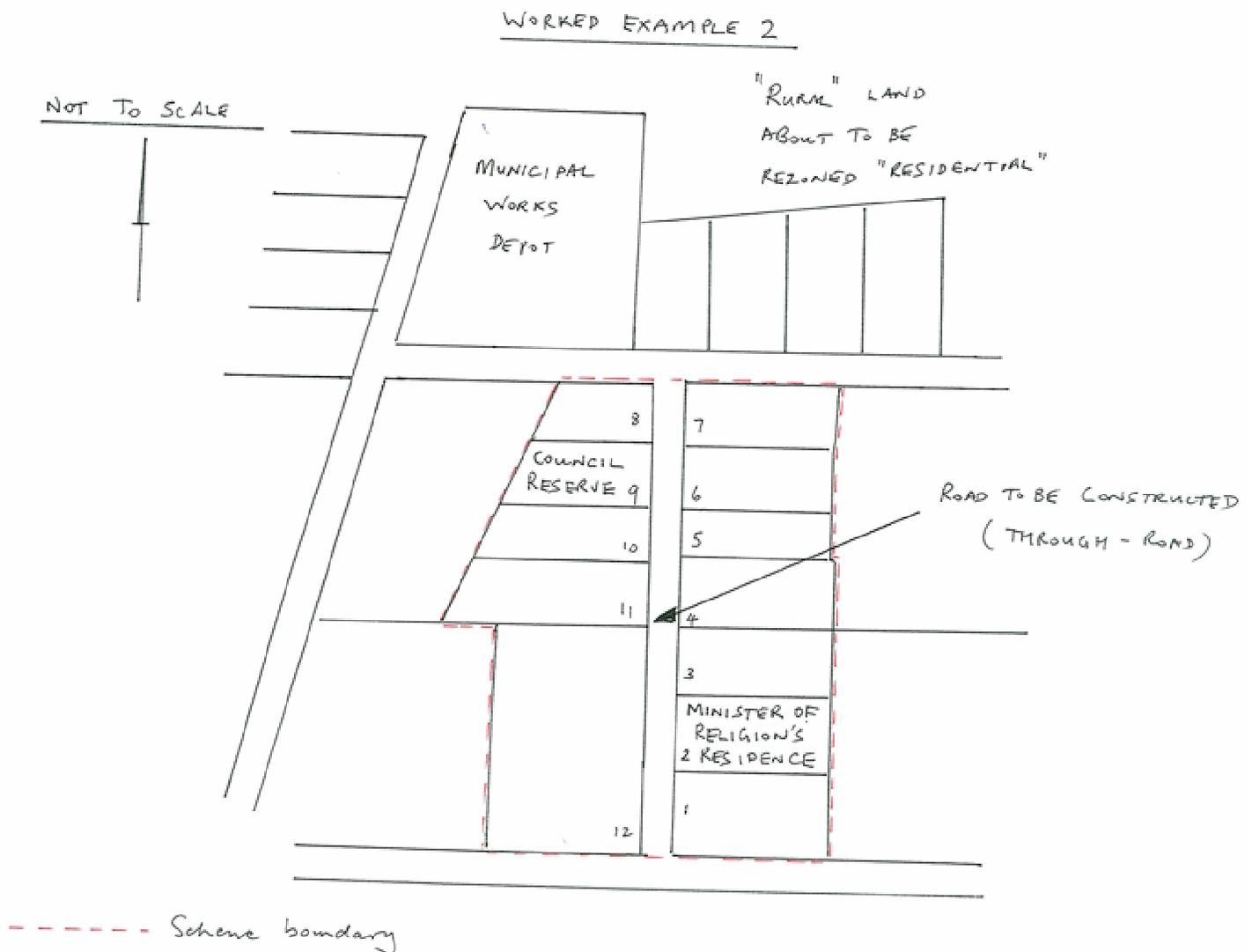


## Worked Example 2

(construction of a local through road by way of special charge)

*Calculation of the maximum total levy pursuant to sections 163(2), (2A) and (2B) of the Local Government Act 1989, including the requirements set out in the Ministerial Guideline made pursuant to section 163(2C)*



### A. Define purpose

This is the first step. The purpose must describe the reasons as to why the works are required.

The purpose of the scheme is to provide a constructed road that is suitable for the area, having regard to the zoning and locality, the environment and the probable use of the road. It will include road pavement and surfacing, full kerb and channel, and drainage.

**B. Ensure coherence**

This is the second step. There must be a sufficient measure of connectivity or correspondence between the works and the properties that it is considered will receive a special benefit from the works.

All of the properties in the street are considered to receive a special benefit.

**C. Calculate total cost**

This is the third step. It will be based on the estimates obtained.

The total cost of the project has been estimated at \$300,000. This includes a provisional amount for contingencies, and scheme preparation and administration costs.

**D. Identify special beneficiaries**

This is the fourth step. The Council must determine which properties will receive a special benefit from the proposed works.

A special benefit is a benefit or advantage available to the special beneficiaries which is *“additional to or greater than”* the benefit available to properties not included in the scheme.

All of the twelve (12) properties enjoying an abuttal to the street, and no others, will receive a special benefit.

**E. Determine the properties for inclusion in the scheme**

This is the fifth step. The Council must determine which of the properties identified as receiving a special benefit will be required to pay the special charge. In most cases, all special beneficiaries will be required to pay, unless the relevant land is non-rateable or otherwise should not pay.

Only ten (10) properties are to be included because two (2) are non-rateable (the Council reserve and the Minister of religion’s residence).

**F. Estimate total special benefits**

This is the sixth step. It requires the Council to determine the level of benefit which each of the properties to be included in the scheme will receive, and also the level of benefit which any properties not to be included in the scheme will receive.

All of the twelve (12) properties identified as receiving a special benefit are considered to receive the same level of benefit. This benefit is to be ascribed as a “benefit unit” – being a notional recognition that each property receives the same or equal benefit, although (as will be seen shortly in relation to the calculation of “community benefit”) this benefit unit is, in turn, broken up equally into “access benefit” and “amenity benefit”.

**G. Estimate total community benefits**

This is the seventh step. Community benefits are considered to exist where the works provide “*tangible and direct*” benefits to people in the wider community, beyond the special beneficiaries.

There are considered to be broader community benefits. This is because vehicles accessing and leaving the nearby municipal works depot and other “adjacent” land (about to be rezoned from rural to residential) are considered to use the road following construction. Also, the street (unlike the court in the first example) does feed other roads and service public facilities.

**H. Calculate the benefit ratio**

This is the eighth step. The ratio is calculated in the following way –

$$\frac{TSB(in)}{TSB(in) + TSB(out) + TCB} = R$$

where –

*TSB(in)* is the estimated total special benefits to those properties Council has decided to include in the scheme (that is, which will be required to pay the special charge)

*TSB(out)* is the estimated total special benefits to those properties Council has decided not to include in the scheme (that is, which will not be required to pay the special charge)

*TCB* is the estimated total community benefit

The ratio will be calculated as follows –

10 divided by 10 + 2 + 2 = 0.71 (or 71%)

- The community benefit figure of “2” has been estimated (remember it only has to be an estimate) as follows. Based on current traffic volumes using the street to be constructed and future projections, it has been estimated that 25% of traffic, following construction, will be through traffic that is not connected to the properties that get special benefits.
- The figure of “2” is therefore calculated as being an amount of 25% of the total access benefits (that is, the 6 access benefit units attributable to the special beneficiaries and the 2 access benefit units attributable to the wider community, viz a total of 8 access benefit units. 25% of the total access benefit units (8) is “2”).

**I. Calculate the maximum total levy**

After the total costs and the ratio have been worked out, Council must calculate the maximum levy in accordance with the following formula –

$$R \times C = S$$

where –

R is the benefit ratio

C is the total cost of the works

S is the maximum total amount that can be levied from all persons who are liable to pay the special charge.

The following calculation is made –

$$0.71 \times 300,000 = 213,000 \text{ (or } \$213,000\text{)}$$

Council may accordingly levy up to 71% of the cost of the works or \$213,000 against the special beneficiaries. Note, this is the maximum total levy. Council may still decide, for proper reasons, to levy a lower amount.

Note also that this process is conducted prior to the “apportionment” of the special charge, which is separate from the calculation of the maximum levy payable.

Further note that Council would be permitted under section 221(3) of the *Local Government Act 1989* to charge the non-rateable land for the cost of constructing the road based on the same apportionment criteria. Section 221(3) only prevents Crown land from being charged.