

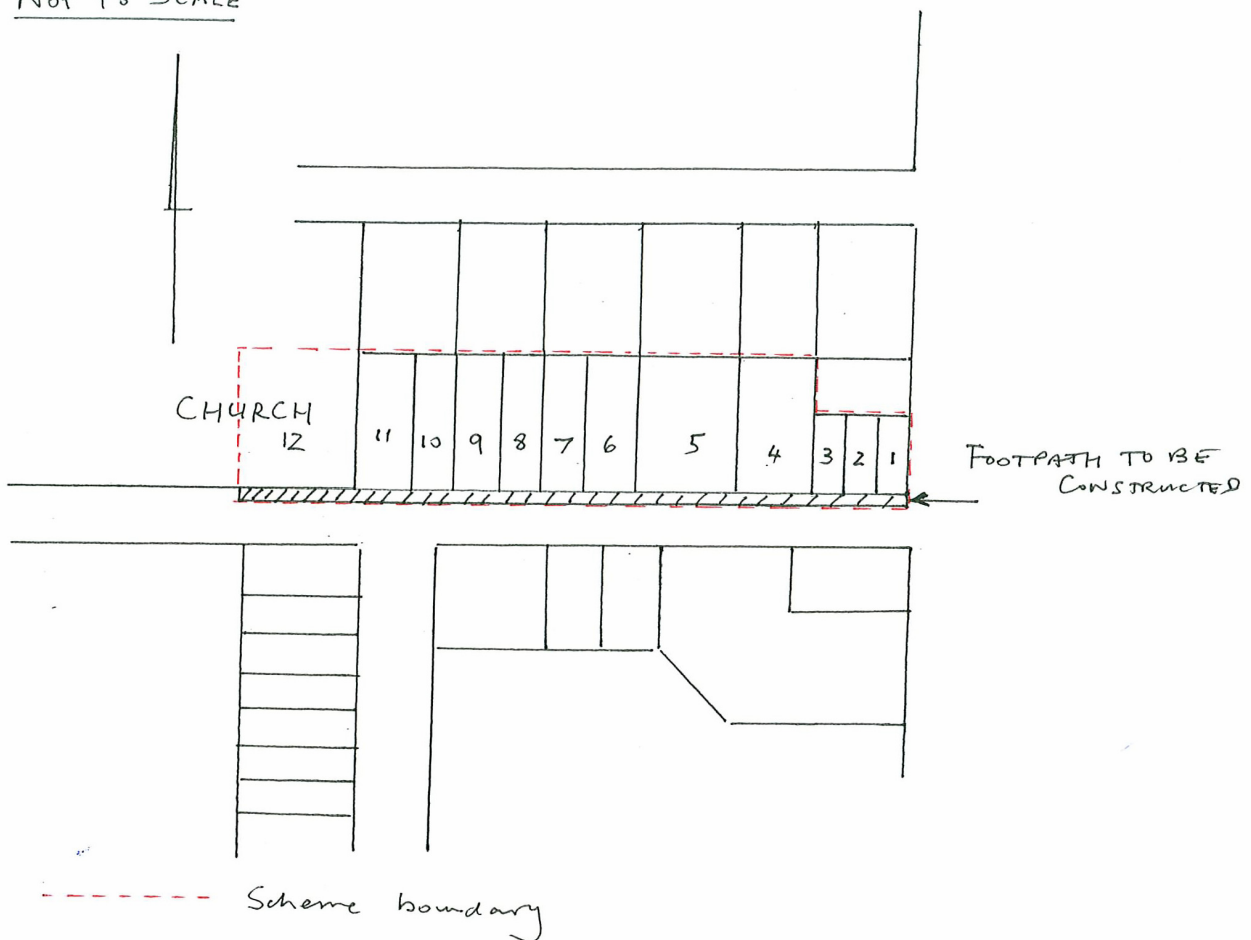
Worked Example 3

(construction of a footpath 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)

WORKED EXAMPLE 3

NOT TO SCALE



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 footpath that is suitable for the area, having regard to the zoning and locality, the environment and the probable use of the footpath.

There have been complaints from churchgoers, in particular, about the poor pedestrian access on the northern side of the street. Some residents do not think that a constructed footpath is necessary. The Council has “balanced up” these competing considerations and has decided to proceed with a scheme.

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 abutting onto the proposed footpath 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 \$100,000. 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, including the church, will enjoy an abuttal to the footpath, and no others, are considered to 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 eleven (11) properties are to be included because the church is non-rateable.

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” and “amenity” components.

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, albeit minor. These are associated with people using the footpath who live on the other side of the street. This is estimated to be in the order or between 5% – 10% of total pedestrian access over the footpath.

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 is calculated as follows –

11 divided by 11 + 1 + 0.5 = 0.88 (or 88%)

- The community benefit of “0.5” has been estimated (remember it only has to be an estimate) as follows. Based on current pedestrian traffic volumes using the footpath to be constructed and future projections, it has been estimated that approximately 5% of that traffic, following construction, will be traffic that is not connected to the properties that get special benefits.
- The figure of “0.5” (rounded up to be “generous”) is calculated as being an amount of 5% of the total access benefits (that is, the 0.5 x 12 or 6 access components of the benefit units attributable to the special beneficiaries and the 0.5 access benefit units attributable to the wider community, viz a total of “6.5”. 5% of the total access benefit units (6.5) is 0.325 (or 0.5 rounded up for ease of calculation).

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 –

$$0.88 \times 100,000 = 88,000 \text{ (or \$88,000)}$$

Council may accordingly levy up to 88% of the cost of the works or \$88,000 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.