

Worked Example 5

(to raise funds for the promotion, marketing, management and advertising of a local shopping centre, including the appointment of part-time centre manager by way of a special rate)

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 scheme is required.

The purpose of the scheme is to encourage commercial, retail and employment activity in and around the local shopping centre. The scheme will last for 5 years. The local chamber of commerce has requested it, with broad support from traders and property owners.

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 that are used for a commercial, retail or professional purposes (consistent with the scheme criteria adopted by the Council) in the scheme area 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 scheme is \$500,000, with \$100,000 being raised each year over the 5 year period. The funds will be spent on purposes that are approved by Council, in accordance with the declaration of special rate.

D. Identify special beneficiaries

This is the fourth step. The Council must determine which properties (both in the hands of owners and traders and business operators) will receive a special benefit from the proposed scheme.

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.

There are 50 properties that are used for commercial, retail or professional purposes in the scheme area, which are considered to receive special benefits.

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 a scheme of this type, all special beneficiaries will normally be required to pay the special rate.

It is considered all 50 properties should be included.

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 50 properties identified as receiving a special benefit are considered to receive the same level (or at least similar levels) of 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 no broader community benefits. The scheme will only benefit the commercial, retail and professional properties in the defined scheme area.

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 –

50 divided by 50 + 0 + 0 = 1 (or 100%)

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 –

$$1 \times 500,000 = 500,000 \text{ (or \$500,000)}$$

Council may accordingly levy up to 100% of the cost of the works or \$500,000 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.