**STAFF REPORT**

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| **TO:** | Mayor and Councillors |
| **FROM:** | Corporate Services Manager |
| **DATE:** | 24 February 2009 |
| **SUBJECT:** | Tourism rate |

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## Purpose

This report is prepared to enable Councillors to consider the relative merits of introducing a targeted rate to part-fund the operations of Tourism Nelson Tasman Ltd (TNTL).

## Background

Tasman District Council (TDC) along with Nelson City Council (NCC) are owners of TNTL and contribute equal funding on an annual basis. In the 2008/2009 year TDC contributed a grant of $390,000 (plus GST) funded solely by the general rate. TNTL has previously identified the need to reduce reliance for funding on TDC's general rate and have asked Council to part-fund the $390,000 (plus GST) by targeted rate.

## Discussion

To establish the amount of the proposed targeted rate Council staff, in conjunction with TNTL staff, undertook an analysis of the company's cost structure. This review considered that $309,000 (plus GST) of the current funding ($390,000 plus GST) belongs to the public good and should be funded by the general rate. This leaves a balance of $81,000 (plus GST) to be funded by a targeted rate

The matter of who should pay the targeted rate and what proportion was discussed informally by the Tasman District Council representatives of the Combined Shareholders Group with the consensus favouring a two-tiered approach with tier 1 being the more direct beneficiaries paying 80% of the rate. The remaining 20% to be paid by tier 2 being the more indirect beneficiaries. On this basis:-

Tier 1 industries are proposed to be as follows:
Accommodation
Activities and attractions
Food and beverage

Tier 2 industries are proposed to be as follows:
Passenger transport
Retail
Fuel and automotive

There are currently 716 businesses in tier 1 and tier 2 combined.

If Council was to fund the current $81,000 (plus GST) as a targeted rate the rate would be:

Tier 1 $121.07 (including GST) per rating unit
Tier 2 $159.72 (including GST) per rating unit

TNTL has also requested an additional $100,000 (plus GST) per shareholder for the 2009/2010 year onwards, which if agreed to would make a total rate to be collected via the targeted rate mechanism of $181,000 (plus GST) with total funding moving to $490,000 (plus GST). It is important to remind ourselves that any funding to TNTL must be the same from each shareholder so the additional $100,000 (plus GST) requested by TNTL would only occur if NCC was to increase its funding to TNTL by the same amount.

If Council was to agree with this request the targeted rate would be:
Tier 1 $270.55 (including GST) per rating unit
Tier 2 $356.92 (including GST) per rating unit

**Capital value rating versus uniform charge**

While capital value rating is an option, considerable work is required before it could be modelled with any degree of certainty. There is also the risk of tourism businesses paying very little if they provide their services with little in the way of property assets. Therefore the option favoured in this report is rating on a uniform basis per rating unit

## Rate criteria

In determining those that should pay the tourism rate the following criteria was established within the attached rating area map

Council will rate all rateable properties that fall within at least one of the following categories:

> All rateable properties within the Tasman District that hold a health license as required by the Food Hygiene Regulations 1974, except sports clubs.
>
> All rateable properties within the Tasman District that hold either an On or Off license as required by the Sale of Liquor Act 1989, except sports clubs.
>
> All rateable properties within the Tasman District that are used for accommodation purposes.
>
> All rateable properties within the Tasman District that are used for the sale of petroleum products.
>
> All rateable properties within the Tasman District that hold a resource consent for a tourism related activity.
>
> All rateable properties within the Tasman District that are used for passenger transport services
>
> All retail or other businesses that are primarily or predominately targeted at the visitor market

## Fit to Policy

Council's rating policy (LTCCP 2006 – 2016) states that where practical identifiable beneficiaries of Council activities pay for the costs by targeted rate. The introduction of a tourism targeted rate is consistent with that policy and with the views expressed in the recent rates enquiry.

When considering this report it is also important to bear in mind the submission by the Tourism Industry Association of New Zealand in their submission to the Local Government rates enquiry (point 48) where they stated "the tourism industry supports the use of targeted rates on the strict proviso that the revenue collected is ring-fenced and reinvested into the destination marketing and management of the region". The introduction of this proposed rate meets the criteria expressed by that Association.

## Options

### Option 1

Remain with the status quo and continue to fund the company from the general rate. However any additional funding above $309,000 (plus GST) would require the general rate to be increased above what is currently included in the draft 2009/2019 LTCCP.

### Option 2

Introduce a targeted rate for $81,000 (plus GST) to allow funding of $390,000 (plus GST) to be paid to TNTL for the 2009/2010 year. This enables more transparency of funding and is in line with the recent recommendations of the Shand report.

### Option 3

Introduce a targeted rate for $181,000 (plus GST) to allow for funding of $490,000 (plus GST) to be paid to TNTL for the 2009/2010 year, subject to Nelson City Council providing equal funding.

This enables more transparency of funding and is in line with the recent recommendations of the Shand report.

## Recommendation

That Council agrees to the request of TNTL and introduces a targeted rate of $181,000 (plus GST) making a total grant of $490,000 (plus GST) to fund tourism operations at Tourism Nelson Tasman Ltd subject to Nelson City Council providing equal funding and Council receiving appropriate industry support.

That the rate be set on a uniform basis subject to meeting the following criteria:

Council will rate all ratable properties that fall within at least one of the following categories:

> All ratable properties within the Tasman District that hold a Health License as required by the Food Hygiene Regulations 1974, except sports clubs;
>
> All ratable properties within the Tasman District that hold either an on or off license as required by the Sale of Liquor Act 1989, except sports clubs;
>
> All ratable properties within the Tasman District that are used for accommodation purposes;

All ratable properties within the Tasman District that are used for the sale of petroleum products;

All ratable properties within the Tasman District that hold a resource consent for a tourism-related activity;

All ratable properties within the Tasman District that are used for passenger transport services;

All retail or other businesses that are primarily or predominately targeted at the visitor market.

That the rate for tier 1 and tier 2 be as follows:

Tier 1 $270.55 (including GST) per rating unit
Tier 2 $356.92 (including GST) per rating unit

Murray Staite
Corporate Services Manager