Title: User Fees and Charges Issues and options – (Use of Council Land – Community Leases)

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BACKGROUND

1. Council leases reserve land to community organisations. There are currently 103 leases on reserves, of which 85 are revenue generating community leases (others are to Bay Venues, community gardens or night shelters which are not currently charged or are commercial leases). The general approach is to charge on a per square meter basis, with the rent being a percentage discount of the assessed average reserve land value across the city. So, Council is effectively subsidising the community outcomes these organisations are aiming to achieve across sport, recreation, education and community services.
2. For the Long-term Plan (LTP) 2024-34, the average land value was assessed at $\$12.10/m^2$. Prior to the LTP, the average rent was circa $\$1.50/m^2$. The Crown Commission proposed through the draft LTP that rent should be 50% of the average reserve land value. After consultation, where multiple organisations raised affordability concerns, this was reduced to 25% or $\$3/m^2$ (+GST) for the first $1,000m^2$; then $\$0/m^2$ for next 9,000m2 and $\$0.30/m^2$ for next $50,000m^2$.
3. There are also nine community organisations that lease Council-owned buildings. Prior to the LTP, rent averaged $\$9/m^2$. The draft LTP proposed a significant change to $\$33/m^2$ (+GST) and $\$50/m^2$ +GST for rates, utilities, maintenance. After consultation this was reduced to a $\$25/m^2$ flat fee (with building specific opex costs).
4. Prior to the LTP, revenue from these community leases was circa $145k per annum. Post LTP it is projected at $277k per annum. Some leases have annual rent reviews; others have longer review periods. Where rents are already higher than the User Fees and Charges Schedule, the prior rent level is retained. The land valuation will be reviewed prior to the upcoming LTP. Commercial leases are charged separately at commercial rates.
5. The organisations can be split into four categories – sports clubs, recreational groups, community organisations, educational organisations. In terms of the size of the land areas leased most are simply leasing space for a building and small outside space. However, 34 have land areas greater than $1,000m^2$, of which the tennis clubs, bowls clubs, hockey and netball centres, BMX club, golf courses and racecourse (a cohort of 20 organisations) have leased areas from $2,000m^2$ up to circa $500,000m^2$. Charging these organisations at the same per square meter rate as the small leaseholders would be unaffordable.
6. The variation between lots of small leases and a few much larger ones informed the final LTP charging structure and sought also to acknowledge that these large land area leaseholder organisations are providing significant community benefits and are effectively managing land that Council would otherwise have to maintain. For example, Otumoetai Golf Club would otherwise be a stormwater and passive recreation reserve. These spaces are often fully or partially publicly accessible and are providing community sport and recreational opportunities that Council might otherwise be asked to provide. For comparison, we spend about $1.32 per square meter to maintain large recreational open spaces such as Bayfair reserve. So hypothetically, to maintain the circa 50ha of Tauranga Golf Course as a public open space could cost Council about $673k per annum and for the 35 lease areas over $1,000m^2$ in total would cost circa $3.5m per annum.
7. The table below shows the distribution of community leases by area –

Leased area	Number of community leaseholders
Under $1,000m^2$	51
$1,000m^2$ – $2,000m^2$	14

$2,000m^2$ – $509,000m^2$	20

8. The distribution of leased areas and the community outcomes and land and facility management provided by the larger sports clubs makes a 'one size fits all' approach challenging. At this stage, given the current fee structure is fairly new, no change, or incremental changes are considered suitable. Options are discussed below that consider amendments to discounts for larger land area leases based on the extent of public access or a simple $\$1/m^2$ for land between $1,000m^2$ and $50,000m^2$. The nominal revenue opportunity associated with reducing the discount levels will need to be balanced against the value these organisations provide. No engagement has yet been undertaken with these organisations in respect of these options.

OPTIONS ANALYSIS

9. The rent structure is fairly new with significant percentage increases for most community organisations post LTP. So, significant structural changes or rent increases might best be considered through the next LTP, allowing time for early engagement. However, Council could consider some smaller amendments to the rent levels or overall structure that might increase revenue or give greater emphasis to public access, organisational purpose or land area. It is assumed that these would focus on those large land area leaseholders as this is where the predominant effects of changes would be felt.

10. Note that each of the options below retains the current rent cap at $50,000m^2$. This could be adjusted upwards, but note that the Racing Tauranga and Tauranga Golf Course leases are also subject to the Racecourse Reserve status of the crown land they occupy, which requires that all rent is spent within the site, whilst the Omanu and Otumoetai Golf Club leases are currently on 'share of revenue' arrangements, so there would in fact be no short-term impact.

11. An option would be to adjust rent discount levels based on the extent of public access. In the table below, we have classified the leased land as either fully, partially or not publicly accessible and have applied discounts of 95% to the ($\$3/m^2$ +GST) rent level for the portion of land over $1,000m^2$ that is fully accessible (e.g. the land around the model railway in Memorial Park), 90% for land that is partially accessible (e.g. tennis clubs where pay-to-play is possible) and 80% for land that is not accessible (e.g. bowls clubs that tend to be member only). This could incentivise greater accessibility but could penalise clubs that need to maintain security to ensure playing surfaces are not damaged (hockey, tennis, bowls). Clubs may also argue with the category they have been placed in. Projected revenue gains under this option (at these discount rates) are $32k per annum.

12. A further option could be to provide additional discounts for organisations that are providing an explicit community development or community safety function such as community centres or surf lifesaving organisations. Note though that these organisations are already receiving significant effective subsidies and can make applications to charitable funders for rent support. Options along these lines have not been modelled.

13. Alternatively, Council could adjust the discounts related to land area. For example, the zero charge for the portion of land between $1,000m^2$ and $10,000m^2$ could be removed or amended. This was included in the LTP as a result of significant concerns raised by tennis and bowls clubs in particular, who would have seen sudden and even more significant rent changes that, it was argued, would have had major impacts on participation and club viability. For example, the Mount Tennis Club rent would have jumped from circa $1,200 pre-LTP to circa $20,000 post LTP.

14. A $\$1/m^2$ charge for land between $1,000m^2$ and $50,000m^2$ could generate in the region of $200k extra per annum, depending on rent review periods and assuming participation and club viability are not compromised. However, this would impact a small cohort of clubs and may not be equitable or consistent with broader objectives around participation.

15. However, at this stage, our staff view is that the fee structure, whilst imperfect, represents a reasonable balance between revenue (including the offsetting of Council land management

costs), affordability and equity and that any amendments are better considered through future LTP processes to allow time for organisations to adjust to the increases since the last LTP.

16. The table below shows the 35 leaseholders with land areas over 1,000m^2, changes in rent over the last LTP and the option for a 'public accessibility' related discount.

Tenant Name	Total Lease Area (m2)	Annual Rent $ (gross) prior to LTP 2024	Annual Rent $ (gross) post LTP 2024	$3/m2 +GST (no further discount)	public access	Yes 5%, Partial 10%, No 20% (of $3.45 charge, beyond 1,000m2), capped at 50,000m2	change ($ per annum)	note
Tauranga Golf Club	509,714	18,480	20,700	1,758,513	partial	20,700	-	public can walk through + pay to play
Omanu Golf Club	451,376	19,624	19,624	1,557,247	partial	20,700	n/a	public can walk through + pay to play [current lease is % of revenue]
Racing Tauranga	349,956	12,688	20,700	1,207,348	partial	20,700	-	public can walk through track areas
Otumoetai Golf Club	114,830	8,767	8,767	396,164	partial	20,700	n/a	public can walk through + pay to play [current lease is % of revenue]
Tauranga Hockey	34,000	1,670	11,731	117,300	partial	14,835	3,104	when open but not used
Papamoa Mount Pony Club	26,200	639	9,040	n/a	yes			will be booking not lease shortly
Tauranga BMX Club	16,880	542	5,824	58,237	yes	8,929	3,104	expecting to change lease area to be building and surrounds only
Tauranga Netball Centre	13,812	1,569	4,766	n/a	yes			new terms at Baypark
Papamoa Tennis Club	11,150	669	3,847	38,468	partial	7,297	3,449	pay to play available
Tauranga Model Train Club	9,700	602	3,450	33,465	yes	4,955	1,505	
Otumoetai Tennis Club	7,988	763	3,450	27,559	partial	5,861	2,411	pay to play available
Bowls Matua	7,297	1,851	3,450	25,174	no	7,795	4,345	
Tauranga Lawn Tennis Club	6,100	971	3,450	21,045	partial	5,210	1,760	pay to play available
Mount Maunganui Tennis Club	5,800	1,253	3,450	20,010	partial	5,106	1,656	pay to play available

Tauranga Bowling Club	5,040	675	3,450	17,388	no	6,238	2,788	
Gate Pa Tennis Club	5,025	867	3,450	17,338	partial	4,839	1,389	pay to play available
Crown Street Reserve (Bluehaven)	3,605	290	3,450	12,437	yes	3,899	449	
Mount Greens Sports	3,424	1,406	3,450	11,813	no	5,123	1,673	
Papamoa Bowls	2,969	783	3,450	10,243	no	5,499	2,530	
Inspired Kindergartens	2,152	1,640	3,450	7,424	partial	3,847	397	changing lease boundary around play area
Papamoa Community Rescue	1,600	1,323	3,450	5,520	partial	3,657	207	access to outdoor spaces
Otumoetai Railway Gardens	1,536	350	3,450	-	yes	3,542	92	
Papamoa Playcentre	1,497	211	3,450	5,165	partial	3,536	86	
Inspired Kindergartens	1,408	1,640	3,450	4,858	no	3,732	282	
Eastern Regional Lifesaving Centre	1,359	1,679	3,450	4,689	no	3,698	248	
Waiapu Anglican Social Services	1,356	2,850	3,450	4,678	no	3,696	246	
Greerton Marist Sports Club	1,282	-	3,450	4,425	no	3,645	195	
Inspired Kindergartens	1,231	1,640	3,450	4,247	no	3,609	159	
Inspired Kindergartens	1,195	1,640	3,450	4,123	no	3,585	135	
Scout Association NZ	1,108	731	3,450	3,822	no	3,525	75	
Legion Of Frontiersmen	1,080	1,345	3,450	3,726	no	3,505	55	
Inspired Kindergartens	1,040	1,640	3,450	3,588	no	3,478	28	
Inspired Kindergartens	1,027	1,640	3,450	3,543	no	3,469	19	
Tauranga Yoga Centre	1,007	2,133	3,450	3,474	no	3,455	5	
Total	**1,604,745**	**94,572**	**191,249**	**5,393,029**		**222,360**	**32,389**	

Option 1: Retain the status quo and review again through LTP 2027-37, informed by revised land valuation (Recommended)

Advantages	Disadvantages
• Maintains approach that seeks to balance a range of factors	• Potentially misses additional revenue opportunities

• Allows organisations time to adjust to previous LTP changes	

Financial impact:

17. No change. Projected revenue of $277k from community leases + CPI. Land revaluation may adjust rent levels upwards.

Option 2: Adjust rent discount levels based on the extent of public access – e.g. for the land area beyond the first 1,000m^2 and up to 50,000m^2, discount the rate by 95% for fully publicly accessible; 90% for partially; 80% for not accessible.

Advantages	Disadvantages
• May incentivise more public access to privately managed sports clubs. • Increased revenue.	• Higher costs for certain sports clubs that have leases and generally.

Financial impact:

18. Under this example, the additional revenue would be circa $32k, assuming the base rent (for the first 1,000m^2 remains at $3/m^2 +GST). This would increase depending on the percentage of discounts from the land value.

Option 3: Adjust discounts related to land area (irrespective of public access).

For example, an additional $1/m^2 charge for land between 1,001m^2 and 50,000m^2.

Advantages	Disadvantages
• Increased revenue.	• Would put significant additional financial pressure on a small cohort of sports clubs.

Financial impact:

19. Potential additional revenue of circa $200k per annum, depending on rent reviews and club viability.