

REPORT OF GENERAL MANAGER
POLICY AND RESOURCES COMMITTEE

TUESDAY, 16 APRIL 2013

FINANCE AND CORPORATE SERVICES

MATTERS TO BE REFERRED TO ORDINARY MEETING

1. Council's Revenue Policy & Potential Changes to Rating Structure

File 44691E & 2973E

PURPOSE: 4.3.1.8 Levy annual rates and charges in accordance with legislative requirements under the Local Government Act 1993.

To report on a request for Council to examine the amount of rates levied on the Business Nowra rating category and using various scenarios gauge the impact on the shortfall in rates that may occur by spreading a proportion of the Business Nowra rates across other Business or/and other rating categories with a view to distributing the rates in a more equitable manner.

SUBMITTED for Council's consideration.

OPTIONS

Option 1:

Distribute the total yield from General Rates of \$50.8 million dollars equally across all rating categories using a 50% base amount and 50% ad valorem calculation. (Except the Sussex Area Special rate)

Option 2:

Distribute the total yield from General Rates of \$50.8 million dollars equally across all rating categories (*excluding the Sussex Area Special, Residential Non Urban and Business Permit categories*) using a 50% base amount and 50% ad valorem calculation.

Option 3:

Distribute \$100,000 in rating yield from the Business Nowra rating category to the Business rating category.

Option 4:

Distribute \$100,000 in rating yield from the Business Nowra rating category to the other remaining rating categories. (*Excluding the Sussex Area Special, Residential Non Urban and Business Permit categories*)

Option 5:

To not increase rates within the Business Nowra rating category for a period of 7 years and transfer the annual rates increase to the Business Category.

Option 6:

Maintain the current rating structure and make no changes to the structure in 2013/2014.

Option 7:

Suggest an alternative to the above

Background

Council has received representations from the Nowra CBD Ratepayers Association (attached) regarding their perception that Council has an “unfair rating policy” currently existing. They argue that the rating policy has led to a disproportionately high level of rates being levied within the Nowra CBD area compared to the level of rates business/commercial properties in the South Nowra business district are contributing.

The Nowra CBD Ratepayers Association suggest the current rating policy is leading to decade high vacancy rates and in some areas decreasing property values in the Nowra CBD, while growth continues to occur in the lower rated South Nowra retail strip.

A suggestion from the Nowra CBD Ratepayers Association is to not increase the Business Nowra CBD rates for a period of 7 years to more align the Business Nowra rates to other business rates within the Shoalhaven.

If this was to occur then an amount of \$49,000 would need to be distributed across the 1,580 assessments currently included in the Business Category and would equate to an increase in annual rates on average of \$31.00 per assessment to cover the shortfall in rates which would have been derived from the Business Nowra rating category.

Details

Under Section 514 of the Local Government Act (1993), Council must declare all properties in the city to be within one of 4 rating categories;

- Residential
- Farmland
- Business
- Mining

Council has previously resolved under Section 529 of the Local Government Act (1993) to create sub-categories of the Business category and the following sub categories were formed;

- *Business Nowra – includes all businesses within a defined area of the Nowra Central Business District (CBD)*
- *Business Ulladulla - includes all businesses within a defined area of the Ulladulla Central Business District (CBD)*
- *Business – includes all other businesses with a business or commercial content which is outside of the Nowra and Ulladulla Central Business District (CBD)*

- *Business Permit – includes rating of jetties, wharves, slipways and pastoral leases issued by the Department of Lands*

The Business Nowra rate includes businesses which are professional, commercial, trade or industrial in purpose and are within a defined area of the Nowra Central Business District. The Business Nowra rate contains a number of additional elements to cater for such items as CBD promotions, CBD car parking, Tourism and CBD improvements.

A review of the amount of rates levied in the Business Nowra rating category reveals for a property with the same land value of \$500,000, the Business Nowra rating category contributes an additional \$3,194 in rates compared to a property in the Business rating category in South Nowra

A number of rating scenarios have been included and are all based on a 50% base amount and 50% ad valorem component.

Option 1

Option1 - Spread rates evenly across all rating categories **				
	Average Rateable Value	Current Rates	New Rates	Difference
RESIDENTIAL	\$221,958	\$879.82	\$890.50	\$10.67
BUSINESS NOWRA	\$454,250	\$4,652.84	\$1,343.81	-\$3,309.03
BUSINESS PERMIT	\$11,832	\$31.26	\$480.44	\$449.18
FARMLAND	\$863,060	\$1,790.16	\$2,141.61	\$351.45
BUSINESS	\$382,364	\$1,505.74	\$1,203.53	-\$302.21
BUSINESS ULLADULLA	\$539,105	\$2,696.32	\$1,509.41	-\$1,186.91
RESIDENTIAL NON URBAN	\$24,848	\$53.57	\$505.84	\$452.26
FARMLAND - Dairy Farmers	\$1,124,758	\$1,369.51	\$2,652.31	\$1,282.80

**** (Not Included was Sussex Area Special Rate)**

Option 1 includes the pooling of rates into the one category and then dispersing the rates over all ratepayers evenly. (With the exception of the Sussex Area Special Rate which has been excluded)

If Council chose to pursue this option, there would be a major reduction in rates for all the business rating categories, a slight increase in the residential category and a large increase for the Small Lot Rural Sub division and Farmland properties.

This option does not take into account that Business properties throughout the city have traditionally been rated a higher amount which was transferred to the Tourism Board to be spent promoting the Shoalhaven as a tourist destination.

This scenario also does not take into account Council's previous policy position to rate properties without a building entitlement (Residential Non Urban) at a significantly reduced rate, and to also provide Dairy Farmers as a rating category with a significantly reduced rate as a means of encouraging this industry in the Shoalhaven.

Option 2

Option 2 - Spread rates evenly across all rating categories **				
	Average Rateable Value	Current Rates	New Rates	Difference
RESIDENTIAL	\$221,958	\$879.82	\$904.91	\$25.09
BUSINESS NOWRA	\$454,250	\$4,652.84	\$1,358.86	-\$3,293.98
FARMLAND	\$863,060	\$1,790.16	\$2,157.76	\$367.60
BUSINESS	\$382,364	\$1,505.74	\$1,218.38	-\$287.36
BUSINESS ULLADULLA	\$539,105	\$2,696.32	\$1,524.68	-\$1,171.64
FARMLAND - Dairy Farmers	\$1,124,758	\$1,369.51	\$2,669.17	\$1,299.65

**** (Not Included was Sussex Area Special Rate, Residential Non Urban and Business Permit)**

Option 2 includes the pooling of rates into the one category and then dispersing the rates over all rate payers evenly. (With the exception of the Sussex Area Special Rate, Residential Non Urban and Business Permit)

If Council was to choose this option, it would result in a major reduction in rates for all the business rating categories, a \$20.00 increase (on average) for all properties in the residential category and larger increases in the Farmland rating categories.

This option would however address Council's existing policy position in regard to minimising the rates paid on properties with no building entitlement.

Option 3

Option 3 Transfer \$100,000 Rating Yield from Business Nowra to Business				
	Average Rateable Value	Current Rates	New Rates	Difference
BUSINESS NOWRA	\$454,250	\$4,652.84	\$4,365.49	-\$287.36
BUSINESS	\$382,364	\$1,505.74	\$1,569.03	\$63.29

Option 3 includes transferring \$100,000 of the Business Nowra rating yield to the Business rating category. If Council chose to adopt this option, the 1,580 properties currently categorised as Business would receive an increase (on average) of \$63.29 in rates. The 348 properties in the Business Nowra category would receive a decrease (on average) of \$287.36.

Option 4

Option 4 Transfer \$100,000 Rating Yield from Business Nowra across all other rating categories
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	Average Rateable Value	Current Rates	New Rates	Difference
RESIDENTIAL	\$221,958	\$880	\$882	\$1.87
BUSINESS NOWRA	\$454,250	\$4,653	\$4,365	-\$287.84
FARMLAND	\$863,060	\$1,790	\$1,792	\$1.87
BUSINESS	\$382,364	\$1,506	\$1,508	\$1.87
BUSINESS ULLADULLA	\$539,105	\$2,696	\$2,698	\$1.87
FARMLAND - Dairy Farmers	\$1,124,758	\$1,370	\$1,371	\$1.87

Option 4 includes transferring \$100,000 of the Business Nowra rates to all other major rating categories. If Council chose this option, it would result in an increase in all rating categories, except Business Nowra, of \$1.87 (on average) and a decrease for the 348 Business Nowra ratepayers of an average of \$287.84.

Option 5

Option 5 - Do not increase the Business Nowra rates for 7 years				
	Average Rateable Value	Current Rates	New Rates	Difference
BUSINESS NOWRA	\$454,250	\$4,653	\$4,653	\$0.00
BUSINESS	\$382,364	\$1,506	\$1,537	\$31.00

Option 5 includes not increasing the Business Nowra CBD rates for a period of 7 years to more align the Business Nowra rates to other business rates within the Shoalhaven over a period of time. If this was to occur then an amount of \$49,000 would need to be distributed across the 1,580 Business rated properties and would equate to an increase in rates on average of \$31.00 per assessment to cover the shortfall in rates, which would have been derived from the Business Nowra rating category.

Conclusion

If Council wished to reduce the rates paid by properties categorised as Business Nowra, there are a number of options available for Council to consider. Given that the Nowra CBD Ratepayers have written to Council and suggested that the rating yield for Business Nowra be reduced over a number of years, Option 5 may be an appropriate Option for Council to consider.

FINANCIAL IMPLICATIONS:

There are no financial implications to Council as the total amount of rates levied still remains the same. The issue relates to what quantum of rates are paid by properties in each rating category.

COMMUNITY ENGAGEMENT:

Council as part of its Draft Delivery Program and Operational Plan will outline the changes to the rating structure in this document and then place the document on exhibition for a period of 28 days to invite residents to comment.

The General Manager
Shoalhaven City Council
PO Box 42
Nowra NSW 2541

Re: Council's Proposed Rate Increase 2013/2014 and Rating Policy

Dear Mr Pigg,

As you are aware, the Nowra CBD Ratepayers was reformed in 2011 after being disbanded in the early 1990's. This reformation was necessitated by current Council policies which appeared to have a detrimental effect on what should be a vibrant, welcoming, clean and expanding CBD. Since our reformation, it has come to our attention that the current rating policy is an unfair taxing policy against the owners and occupiers of property in the Nowra CBD.

It is understood that all levels of Government need to raise taxes in order to supply the services that its people desire. There are, unfortunately, always two problems:-

- No one likes paying taxes
- There are never enough taxes to fulfil the community's demands

Our elected representatives, in this case Mayor Gash and her Councillors, therefore need to make decisions on behalf of the people that, at times, will be unpopular. The current rate increase requested is earmarked solely for Roads and Footpaths, and the citizens of the Shoalhaven welcome this much needed capital expenditure. However, what has not been satisfactorily explained and is a difficult concept for a lot of people, is that this rate increase has a compounding effect when future rate increases will invariably be imposed.

We believe funding of this extra expenditure could have come from, say, a 3% efficiency saving within council's current expenditure. This is the mechanism that is currently being employed by some Federal and State Government departments. Other sources of funds could be via the sale of council assets or the use of debt and that debt could then be repaid by a more gradual increase in rates.

Council rates have increased by 70% in the decade ended June 2012 while the CPI in the same period was 31%. It is noted that some of this rate income has resulted from new rateable lots created in that time. During that same decade, wages costs increased by 78%, or 28 million dollars.

The current rating policy of the council is:

Residential	\$439.90	plus	.0019820	of Land Value
Nowra CBD	\$439.90	plus	.0092745	of Land Value
Other Business	\$439.90	plus	.0027875	of Land Value

As a comparison, business rates in the local government areas that surround the Shoalhaven, based on a \$400,000 land value are:-

Nowra CBD	\$4148
Other Business -SCC	\$1554
Eurobodalla	\$3421
Shellharbour	\$3175
Wingecarribee	\$3176

This analysis highlights the penalty tax that property owners and, invariably, the tenants incur when doing business in the Nowra CBD. It could be argued that this is one of the reasons for the decade high vacancy rates in the Nowra CBD and the growth of the lowly taxed South Nowra retail strip (eg Harvey Norman and Good Guys Complexes).

Part of the rates difference is a direct result of an \$80,000 charge imposed on CBD ratepayers in 1992 (and subsequently increased in line with annual rate increases to now be approximately \$160,000) for CBD promotions, which was a request of CBD retailers at that time. These funds have for many years been managed by the Chamber of Commerce. Our belief is that the current use of these promotional funds is not effective, and the funds would be better spent on funding interest on debt to build a multi-level car park. As the multi-level car park is currently not funded in Council's 10 year plan, we request the 10% loading to our rates be reduced to 2.5% and that this 2.5% (\$40,000) is then to be used for generic Nowra CBD branding, using existing media outlets.

We further request that Nowra CBD rates be equated with other similar commercial ratepayers in the Shoalhaven over, say, a 7 year period. One option would be to freeze our current rates percentage until the other similar SCC business ratepayers catch up in percentage terms. We note also, that some properties to the east of the CBD which are retailers, are currently not included in the Nowra CBD rating map, yet compete with and benefit from the Nowra CBD

Yours faithfully



Nowra CBD Ratepayers