

Site-Value Rating Endorsed By N.S.W. Royal Commission

“... MOST CONVENIENT, LOGICAL AND LUCRATIVE.”

The New South Wales Royal Commission on Local Government finance and valuation was appointed following representation from the N.S.W. Local Government Association, seeking supplementary grants or other revenue sources on the grounds that rates had reached “saturation.”

IN SPITE OF its recommendation to extend the sources of local revenue, the Commission came down firmly in favour of the rating of site values. The Report says: “. . . it is plain that local government requires more money, and whilst rates on land constitute the most convenient, logical and lucrative means of raising revenue for local government purposes, it is equally clear that they should not be the sole source of revenue.”

Among the Commission's recommendations are the following:

* Councils should be empowered to raise revenue by imposing a poll-tax, not exceeding \$20 a year, on residents, excluding ratepayers, who are seventeen years of age or more.

* Councils should be empowered to impose licence fees on businesses and clubs based on turnover, sales or membership.

* Councils should be empowered to levy tourist and entertainment taxes.

* All occupied Crown land, including public schools, should be subject to rating.

* Public hospitals and most land owned by charities and religious institutions, including independent schools, should be subject to rating.

* Councils should be able to levy the general rate on the unimproved, improved, or assessed annual value, or a combination of all of them, as they see fit.

An interesting and important recommendation is the abolition of the present concept of the “unimproved capital value” of land as a rating basis and the substitution of the concept of “site value.” This is no mere change in terminology. Under the present concept of “unimproved value,” the valuer is required to undertake the unreal and impossible task of determining the value of land in its “natural state.” This resulted in intricate arguments as to what constituted a “natural state” and valuers would seek to trace back every conceivable improvement that had been made to land, extending sometimes back into past centuries.

The Commission accepted the recommendation of the Commonwealth Institute of Valuers that “land value should relate to the condition of the ‘true land’ at the valuation date, disregarding only visible improvements such as structures and fencing—a state commonly re-

The Terms of Reference—

The Commission will inquire into and report on:

1. Is a rate on land the most appropriate method of financing the services that councils are authorised to provide under the Local Government Act?

2. Do the systems of valuation now applying provide satisfactory bases for the equitable distribution of the rate burden?

3. Should the rate be on the unimproved, improved or assessed annual value of land?

4. What changes, if any, are necessary in the valuation system relating to rating of land, land taxation, assessment of stamp and death duties and settlement of claims for compensation for resumed land?

5. If the systems of valuation do not provide satisfactory bases for the equitable distribution of the rate burden, what other system or systems would?

6. On what basis, if any, should revenue available to councils from rating be supplemented, and from what source?

7. If a rate on land is not the most appropriate method of financing local government services, how should such services be financed?

Sittings commenced in October, 1965, and the report was made available June 14, 1967.

ferred to as ‘site value.’”

The Commission recommended that in working out a definition of site value, certain items of expenditure should be regarded as merging in the land as invisible improvements. Included in invisible improvements to be disregarded were land reclamation by draining and filling, grading or levelling of land, and clearing of timber, scrub or other growths, and underground drains.

Heading the list of recommendations for other sources of revenue is the proposal that councils should have the power to impose a poll tax. This tax would not exceed \$20 a year and would be payable by residents, *excluding ratepayers*, who are seventeen years of age or more.

The Commission reckons that only about 55 per cent. of the adult population of all municipalities and shires were ratepayers. The non ratepayers no doubt include lodgers, those who live in hotels, boarding houses, schools,

etc. (It is, of course, arguable that they are indirectly ratepayers, since rates, like other overheads, are included by hotels, etc., in their charges.)

A development or betterment charge is another feature of the Commission's recommendations. This would apply when and where planning permission permitted the full potential use of the land. The local authority would levy the tax when granting approval for development.

As with our own Land Commission charges, the practice does not match up with the principle that all land values should be community values.

The Commission also recommended that all charities except those operating exclusively for the relief of people in necessitous helpless circumstances, all occupied Crown Land, and all land, including public schools and private schools, owned by religious institutions and not used strictly for religious worship or teaching should cease to be exempted from rating. Universities, private golf courses, showgrounds and cemeteries run for private profit should also be subject to rating.

A concession rate for urban farm lands should not apply unless the farm lands exceed five acres.

Provision should be made for a rating factor in respect of privately owned lanes and land subject to rights-of-way and easements of access.

Crown tenures and leases of Crown lands that conferred rights not substantially less than a fee simple, leases in perpetuity, and long-term leases without restrictive conditions, should be valued and rated as if they were a fee simple.

Crown tenures and leases of Crown lands for short terms should be valued and rated on the basis of a rating factor of twenty times the annual rent. All other Crown tenures and leases, all licences which did not confer exclusive possession, and all permits to occupy Crown lands or State forests should be valued and rated on the basis of a rating factor to be determined, but not being more than twenty times the annual rent.

The great majority of councils, said the report, favoured maintaining the unimproved capital value system as the basis of rating, but it was clear in many instances that they had not fully considered the merits of rating on other values.

The Commission said that the evidence presented to it did not establish that rates had reached saturation point in the revenue to be derived from them. It said statistics had shown that the proportion of income paid in rates had not risen appreciably since 1938-39. Most complaints about the level of rates failed to recognise the substantial capital appreciation in the value of land.

THE THEORY OF HUMAN PROGRESSION. By Patrick Edward Dove. Abridged by Julia A. Kellog, who in a foreword writes: "The book is the single-tax theory elucidated a generation in advance of Henry George. What Dove did for scholars, George did for the masses." Paper, 142 pages. 2s. 6d.

ACCOMPANYING the Commission's report was a table of land values and council rates showing increases in land values in the metropolitan area between 1957 and 1966.

Commenting on these tables, the financial editor of The Sydney Morning Herald, June 15, said: "Not one square yard of turf was added to the dimensions of the Sydney metropolitan area in that time, but the money value of the earth increased more than three-fold—from about \$1,500 million to about \$3,900 million, according to the Valuer-General's estimates of unimproved capital values"

In the districts of Warringah and Liverpool, land values rose six times and eight times respectively. Each area was a district of intensive housing activity.

Of the total rise of £1,680 million of unimproved land values in the whole of the State, it is estimated that more than £1,300 was inside the Sydney metropolitan area. The poorest performances were in the districts where land values rose only a little more than eight per cent. per year!

Points from the Report

- * A rate on land is the most appropriate method of financing the services that councils are authorised to provide under the Local Government Act.
- * The period of time between general valuations should be reduced to three years, and to this end the extension of the Valuation of Land Act to the whole of the State should be deferred.
- * The provisions of the Local Government Act and of Schedule 3 thereto, relating to the valuation and rating of mines, should be substantially repealed and mines rated on site values.
- * Councils should have power to require a contribution to the cost of providing access, heavy duty roads, water and electricity supply, and other services to the site of a mine.
- * Adjoining parcels of land that are in the same ownership and are occupied together should be valued as one parcel for the purpose of imposing a minimum rate.
- * An absolute majority of the full number of members of the council should be required before a change is made in the rating basis, and in the case of a county council the change should be subject to the approval of the Minister after the holding of a public inquiry.
- * After any change in the rating basis is made, no further change in that basis should be permitted until the lapse of at least three years.
- * Section 96 (4) of the Metropolitan Water Sewerage and Drainage Act and Section 100 (4) of the Hunter District Water Sewerage and Drainage Act should be repealed or amended to facilitate the raising of part of the revenue of the Boards constituted under those Acts by a rate on unimproved (or site) value, if either of them considers the levy of such a rate appropriate.