

# HOW SITE-VALUE RATING WILL AFFECT SOUTH MELBOURNE

A SURVEY MADE BY THE LAND VALUES RESEARCH GROUP

## FOREWORD TO CITIZENS OF SOUTH MELBOURNE

### THE REFERENDUM TO CHANGE THE COUNCIL RATING SYSTEM CONCERNS YOU . . .

#### Whether houseowner or tenant paying rent

#### Your YES Vote for the U.C.V. system

- Will give municipal justice in rate sharing between you and your neighbours;
- Will reduce rates on houses (see the map on the back cover of this report);
- Will cause development of land now held vacant by speculators;
- Will encourage every houseowner to improve and beautify his property in full confidence that under the new U.C.V. system of rating he will *not* attract HIGHER RATES;
- Will bring increased business to shopkeepers whose rates will not vary much (see map for your location), and again IMPROVEMENTS will not be penalised by higher rating;

#### THEREFORE

EVERYBODY living in areas coloured BLUE or GREEN on the map should vote for more equitable rating — with a sharp fall in house rates giving up to 50% saving for small properties — by VOTING "YES" FOR THE ABOLITION OF N.A.V. and the ADOPTION OF U.C.V.

READ THIS REPORT giving the findings of the Research Group. IT MEANS MONEY TO YOU to change over to U.C.V.

SOUTH MELBOURNE RATEPAYERS' ASSOCIATION

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President.

This survey commenced with the limited objective of testing whether municipal rates upon ordinary homes in South Melbourne would be substantially reduced if the basis were changed from Net Annual Value to the Unimproved Capital Value of the land alone.

Change from rating the "improved" (N.A.V.) to the "unimproved" land value (U.C.V.) basis was pressed for by ratepayers' organizations following heavy increases in rates payable upon residential properties after revaluation. The change was sought in the belief that burdens upon residential properties would be reduced as compared with other properties.

South Melbourne City comprises five wards of which the Fawkner and Normanby are almost exclusively industrial. The Canterbury, Beaconsfield and Queens Wards are predominantly residential, the last containing the valuable section between St. Kilda Road and Albert Park Lake. The two business wards contain only 15% of the total assessments but provide 48% of the total rate revenue.

The important question to clarify by survey was whether the contribution of the industrial and commercial sites would be reduced or increased relatively to residential properties.

To check this it was not necessary to have a full valuation of the unimproved land value for the municipality. All that was needed was to take sufficient representative samples of the various types of property and find out what proportion their Improved Net Annual Value bears to their Unimproved Capital Value. These percentages were to be found for industrial, commercial, ordinary residential, the St. Kilda-Queens Road areas, and for vacant land respectively.

The groups showing the highest percentage of N.A.V. to U.C.V. would benefit as groups under U.C.V. at the expense of those with lower percentages. The groups with lowest percentages would contribute increased rates and those with the higher percentages would pay less under that change. Between the upper and lower limit percentages would lie the average for the city as a whole, at which figure rate payments would be the same under either system.

#### The Missing Key

For this check it was necessary to find the unimproved value of the properties in the samples. Unimproved land values per square foot or frontage-foot for the various streets and sections of the municipality were established by consultation with external and the South Melbourne City Valuers.

#### Checks Made

The checks were made for complete crown sections, blocks of buildings, or widely representative streets. For each section or property the Council's current figure for

net annual value was divided by the estimated unimproved land value. This fraction was multiplied by 100 to express the net annual value as a percentage of the unimproved land value. These percentages were averaged for the groups.

Results of the pilot survey are summarized as follows:

| Classes of Property   | "Improved" (N.A.Value) as Percentage of "Unimproved" land value |
|---|---|
| Vacant Land .....   | 2.8%  |
| <b>Industrial Sites</b>   |   |
| 19 Sections Normanby Ward .....   | 4.3%  |
| 18 Sections Fawknor Ward .....  | 6.2%  |
| <b>Clarendon Street Shop Sites</b><br>(Between York and Park Streets)                                 |   |
| 97 Properties .....   | 7.2%  |
| <b>St. Kilda Road &amp; Queen's Road</b><br><b>Flats and Offices</b><br>(Crown Sections N to U) ..... | 6.7%  |
| <b>Ordinary Residential</b><br>(Richardson Street)  |   |
| 99 homes Bridport to Kerferd Road   | 9.8%  |
| 230 homes Kerferd to Fraser Street  | 9.5%  |

#### What These Proportions Showed:

The ordinary homes in Canterbury and Beaconsfield Wards (of which Richardson Street is typical) had the highest improvement percentage of all groups. It could therefore be concluded, even at this stage, that homes in South Melbourne would benefit in lower rate payments under unimproved value rating at the expense of other types of property. The magnitude of gain could not be finally determined at this stage, being dependent upon the average percentage over all sections of the city. Inspection of the figures above suggested this average would lie between 6½ and 7. Under these conditions the residential properties would average a 50% cut in rates, mainly at the expense of industrial sites as a group, these being the least improved.

Although industrial sections on average would pay more in rates, individual well-improved industrial properties within these sections would gain reductions. Field inspection showed that there were many valuable industrial sites within these areas which were underdeveloped with improvements of negligible value.

Clarendon Street shopping centre would contribute about the same in total as now with some properties paying more and some less. The least improved would pay more and the better improved less.

## RATES UPON TYPICAL HOUSES

### Canterbury Ward

This study covered each individual home in a typical residential street. The street chosen was Richardson Street. This runs the full length of the City from its boundary with Port Melbourne to that with St. Kilda. It is typical of a series of parallel and transverse streets in the Beaconsfield and Canterbury Wards which are predominantly residential in type. It contains 329 homes which is a very large sample. The part north of Kerferd Road is of lower land value than that to the south owing to its higher proportion of decadent properties.

The Net Annual (Improved) Value for each property was calculated as a percentage of the Unimproved Capital

Value of the land. This last figure was obtained by multiplying the frontage by the unit land value per foot of frontage.

### Group Results

In this street there are 99 homes West of Kerferd Road and 230 East of it. For both groups the percentage of N.A.V. to U.C.V. was almost identical at 9.8% and 9.5% respectively. As the average percentage for the whole City was about 6.5% (though the decimal was not final at this stage of our survey) it is clear that homes in this street will benefit greatly in lower rates under the unimproved land value rating basis (U.C.V.). So also will those in other streets of which this is typical.

### Individual Homes

Where the percentage of N.A.V. to U.C.V. of the individual homes exceeds 7%, properties in South Melbourne will pay lower rates under the U.C.V. rating basis. Those with percentages between 6% and 7% are border line cases which may go up or down a little but will not be greatly different to present rating. Those with percentages less than 6% will carry higher rates under U.C.V. than under the present N.A.V.

Applying this test to the individual homes, we find that in Richardson Street they would fare as follows:

- 280 homes would pay lower rates under U.C.V.
- 31 homes would pay about the same rates under U.C.V.
- 18 homes would pay higher rates under U.C.V.

The proportion paying less under U.C.V. as shown above is 85%.

### Small and Large Frontages

Further examination of the properties in this typical street leads to more generally useful conclusions. Of the total 329 properties 184 are of 16' 6" frontage while 77 are 33' with the rest of various odd frontages. The field check showed the averages for these were:

|                              | 16½' Frontage | 33' Frontage |
|------------------------------|---------------|--------------|
| <b>North of Kerferd Road</b> |               |              |
| No. of Homes .....           | 52            | 22           |
| Average N.A.V. ....          | £109.3        | £163.4       |
| Average U.C.V. ....          | £990          | £1980        |
| Avg. % N.A.V.:U.C.V.         | 11.0%         | 8.2%         |
| <b>South of Kerferd Road</b> |               |              |
| No. of Homes .....           | 132           | 55           |
| Average N.A.V. ....          | £121.3        | £201.1       |
| Average U.C.V. ....          | £1320         | £2640        |
| Avg. % N.A.V.:U.C.V.         | 9.2%          | 7.6%         |

These figures are used in later comparisons with residential, business and commercial properties.

A further check was made covering all homes in two complete crown sections 43E and 43F. These are in the area bounded by Kerferd Road, Page Street, Mills Street and Hambleton Street. Within these bounds are substantial parts of Boyd, Erskine, Neville and Richardson Streets. Except two shops, one small factory and a vacant lot, the properties are single-storey homes of which there are a total of 179.

The land value was found for each of these properties and also the percentage which the present rated Net Annual Value bears to the land value. The progressive check showed that the average percentage of Net Annual Value to Unimproved Land Value over the whole city would lie

between the limits of 6.0% and 7.0%, probably in the region of 6.5%.

Homes with percentages of 7.0 or higher will definitely pay lower rates under the change to unimproved land value basis. Those with percentages between 6.0 and 6.9 will pay about the same under either system. Those where the percentage is below 6.0 will pay more under the unimproved land value basis. The magnitude of saving depends upon the extent this figure is above or below the average in the individual case.

Applying these tests the summarized results for the whole area are:

|   |              |               |
|---|--------------|---------------|
| Nos. of Houses with lower rates under unimproved value .....  | = 129        | (72%)         |
| Nos. of Houses with same rates under unimproved value .....   | = 25         | (14%)         |
| Nos. of Houses with higher rates under unimproved value ..... | = 25         | (14%)         |
| <b>Total .....</b>  | <b>= 179</b> | <b>(100%)</b> |

The overwhelming proportion of homes in this area will benefit under the U.C.V. basis. They are the homes in average or better-than-average repair and condition. The few that would not so benefit are in relatively poor or sub-standard condition or of larger than normal frontage.

#### Beaconsfield Ward

The same tests were applied in the following check covering sample residential areas in the Beaconsfield Ward. Here the following table summarizes the position for residential properties under change to rating on the unimproved land value basis:

| Street                                | Would Gain       | Would Break Even | Would Lose      | Totals            |
|---------------------------------------|------------------|------------------|-----------------|-------------------|
|                                       | Nos.             | Nos.             | Nos.            | Nos.              |
| Cardigan Place (Nos. 1—67)            | 28 (79%)         | 4 (12%)          | 3 (9%)          | 35 (100%)         |
| Brook Street (Nos. 2—84)              | 33 (97%)         | —                | 1 (3%)          | 34 (100%)         |
| Nelson Road (Nos. 137—197)            | 21 (73%)         | 3 (10%)          | 5 (17%)         | 29 (100%)         |
| St. Vincent Place (Nos. 53—99, 46—94) | 32 (80%)         | 2 (5%)           | 6 (15%)         | 40 (100%)         |
| <b>Total Residences</b>               | <b>106 (84%)</b> | <b>8 (6%)</b>    | <b>13 (10%)</b> | <b>127 (100%)</b> |

The above total excludes 10 shops combined with dwellings and a bank in Cardigan Place. Of these 8 would gain, 1 break even and 2 would lose under the unimproved value basis.

A substantial majority (84%) of houses (as well as the combined shops and residences in Cardigan Place) would benefit by the adoption of site value rating. It is noteworthy that this applies also to Brook Street, which is an inferior street with rather poorly developed properties—the lower land values are relevant here.

Average values for the various streets are as follows:—

| Street   | "Improved" N.A.V. £ | "Unimproved" U.C.V. £ | Percentage Ratio N.A.V.:U.C.V. |
|--|---------------------|-----------------------|--------------------------------|
| Cardigan Place, houses (Nos. 1—45) .....                       | 230                 | 1,606                 | 14.4%                          |
| Cardigan Place, shops with residences combined (Nos. 47—67) .. | 150                 | 1,850                 | 8.3%                           |
| Brook Street .....   | 73                  | 580                   | 12.6%                          |
| Nelson Road .....  | 125                 | 1,549                 | 8.0%                           |
| St. Vincent Place .....  | 225                 | 2,382                 | 9.4%                           |

Houses in Cardigan Place and Brook Street would in general gain substantially, with rates cut by 50%, while houses in St. Vincent Place and the combined shops and residences would gain about a 25% cut in rates, although of course individual properties will show considerable variations.

These streets are a typical cross-section of residential streets in the Beaconsfield Ward where approximately 80% of the homes would gain rate reductions under the change to the site-value rating basis.

## OVERALL CITY VALUATION

As indicated previously our survey initially had a limited objective of a check of some representative crown sections in residential, commercial and industrial areas rather than a complete coverage of the city as a whole. However, after the initial check the process of finding the unimproved and net annual values of crown sections was continued till the whole city was covered.

The valuations for the various wards worked out as follows:

| Ward                    | Unimproved Value (land only) £ | Net Annual Value (land plus impvts.) £ | N.A.V. x 100 U.C.V. |
|-------------------------|--------------------------------|--|---------------------|
| Fawkner .....           | 14,183,602                     | 925,651                                | 6.52%               |
| Normanby .....          | 9,988,047                      | 514,320                                | 5.14%               |
| Queens .....            | 10,018,215                     | 623,522                                | 6.22%               |
| Canterbury .....        | 5,930,330                      | 550,807                                | 9.28%               |
| Beaconsfield .....      | 5,738,825                      | 426,598                                | 7.43%               |
| <b>Whole City .....</b> | <b>45,859,019</b>              | <b>3,040,898</b>                       | <b>6.63%</b>        |

Comparing the final figure of the percentage which the N.A.V. bears to the U.C.V. with that foreshadowed based on results for the cross-section, gives a check upon the method and preliminary conclusions given there.

The initial check suggested that the percentage which the N.A.V. of the whole city would bear to its unimproved value would be somewhere between 6½ and 7%. The actual figure is found to be 6.63%. This is close confirmation of the initial check.

Inspection of the percentages for the wards shows that the Canterbury and Beaconsfield Wards both have a higher percentage of "improved" to "unimproved" value and would pay less rates in total under the unimproved value rating basis. This is significant because these two wards are predominantly residential in character.

The Normanby and Fawkner Wards are predominantly industrial and it is at their expense that the residential Wards gain. Queen's Ward is mixed in character but would pay more rates in total with the rate change.

Although individual wards as a whole may pay more or less this is of less interest than the locations which contribute to this general result. These are shown for each crown section on the accompanying map, colored according to whether rates under the unimproved value basis would be less (blue), more (red) or about the same (green) as under the N.A.V. basis. Green sections are those where the percentage figure is between 6.0 and 6.9 since rates will be little different

between the systems within this range. Sections shown in blue are those with percentages above 7.0, these benefiting in lower rates under U.C.V. Areas shown red have percentages less than 6.0 and these will pay more under the U.C.V. basis.

Although these categories apply to the crown sections as a whole, there will be some individual properties within those areas with improvements greater or less than the level in the area considered as a block. Thus, within a blue or green colored block there may be vacant land holdings reducing its overall percentage. Or within a red colored section there may be individual properties more highly improved which would benefit in lower rates under U.C.V., notwithstanding that the block as a whole would pay more under that basis.

In every case it is the underdeveloped properties which are the ones paying more under U.C.V. and the well-developed properties which would pay less. The residential properties have the most consistently high percentages of N.A.V. to U.C.V. and it will be seen that almost all residential sections in South Melbourne appear on the map as blue, showing that they would pay less under the rate change to U.C.V. The magnitude of their saving would average a cut of about 50% in rates.

## FACTORIES OR HOMES ?

Should the average level of rates on homes be less than for industrial and commercial sites of the same area?

The answer "Of course" would be equally given to this question by householder, shopkeeper or industrialist. The only uncertainty would be how much less the rating on homes should be than for these business properties.

The basic reason for expecting business and industrial sites to pay more than residential is not simply one of sympathy with the householder as the "underdog." It is rather recognition, firstly, that areas zoned for industry and business need a higher level of municipal service at greater cost than do residential areas. Secondly, that industrial and business areas benefit from the presence of householders as well as from the higher level of services available to them and the combination gives them far greater earning potential than for residential-zoned properties. Hence it seems plain common sense that business and industrial properties should be expected to plough back into the municipal pool higher rate payments proportionate to their greater potential than for houses.

This greater potential is shown by the difference in land value per sq. foot of the residential compared with industrial-zoned property. This ranges in South Melbourne from 15/- or less per sq. foot for residential to £2/10/- per sq. foot for much of the industrial-zoned part, with peaks in selected locations running up to a maximum of at least £8/0/0 per sq. foot. On these figures it would be reasonable to expect that industrial properties should average at least double the rate payments of an equal area under houses.

Bare citation of this substantial difference between residential and industrial value per square foot should make it obvious that rates based on the "unimproved" value instead of the "improved" value (N.A.V.) will reduce pay-

ments in the residential and increase them in the industrial areas as a whole, notwithstanding that there will be individual exceptions. This was confirmed by checks in previous sections, which showed that at least 75% of residential properties would get rate reductions under the unimproved value basis at expense of the industrial wards as a whole.

**We accept this common expectation—that the desired municipal rating system should be one which charges less to houses on the average than to industrial sites of similar size—as a criterion of the suitability of the rating system.**

We regard it as so important that we have used it as a measuring rod to test the rate payments of individual industrial properties under the two rating systems comparing the numbers of houses to which their rate payments would be equivalent.

In earlier sections it was established that typical areas of single-storey residential properties in Richardson and other streets south of Kerferd Road were mainly of 16' 6" or 33' frontages, and listed their values.

We could take either of these as our measuring rods. However, it was considered better to take an average of two 16' 6" and one 33' frontage homes, giving for our standard a home of 22' frontage by 80' depth. This is a weighted average taking account of the relative numbers and has been taken as our measuring rod in the following tests. However, for anyone interested to express the comparison for 16' 6" or 33' houses the data for all three sizes is given below:

| Item                      | 16' 6" | 22' 0"<br>(Stand.) | 33' 0" |
|---------------------------|--------|--------------------|--------|
| Frontage                  | 16' 6" | 22' 0"             | 33' 0" |
| Area of site (sq. ft.)    | 1,320  | 1,760              | 2,640  |
| Unimproved Land Value (£) | 1,320  | 1,760              | 2,640  |
| Net Annual Value (£)      | 121    | 148                | 201    |

We have classified the 100 largest industrial firms in South Melbourne in order of land value, showing for each the site area in square feet; unimproved land value; and the net annual value. They have been arranged in groups of 20. These are summarized in the first four columns of the table below. The group totals have been divided by the figures for our standard house used as a measuring rod to find how many houses the areas and rate-payments of the industrial properties are equivalent to. The results are compared in the last three columns.

### South Melbourne's 100 Largest Industrial Firms

| Group Nos.   | Total Area (sq. feet) | Un-Improved Value £ | Improved Value £ | Number of Houses Equivalent |                 |                 |
|--------------|-----------------------|---------------------|------------------|-----------------------------|-----------------|-----------------|
|              |                       |                     |                  | Site Area = Houses          | N.A.V. = Houses | U.C.V. = Houses |
| 1. 1-20      | 4,895,984             | 8,255,628           | 428,511          | 2,783                       | 2,901           | 4,877           |
| 2. 21-40     | 1,599,660             | 3,214,825           | 222,838          | 907                         | 1,508           | 1,898           |
| 3. 41-60     | 1,294,529             | 2,167,630           | 110,401          | 737                         | 748             | 1,226           |
| 4. 61-80     | 857,815               | 1,552,240           | 99,860           | 463                         | 682             | 882             |
| 5. 81-100    | 550,630               | 1,203,200           | 73,637           | 312                         | 499             | 683             |
| Totals (100) | 9,198,618             | 16,393,523          | 935,247          | 5,202                       | 6,338           | 9,566           |

It is important to understand the meaning of this comparison. For the 100 largest industrial undertakings in South Melbourne the overall area of the sites is 9,198,618 sq. feet. This is equivalent to the area occupied by 5,202 standard houses.

The net annual value for the same industrial properties totals £935,247 which is equivalent to that of 6,338 standard houses. Hence the N.A.V. rates payable are equal to those payable by that number of standard houses. As the rent potential of the industrial sites averages about double that of residential land and the site area is equivalent to 5,202 houses, we should expect these industrial properties to contribute as much in rates as about 10,000 houses. As they only contribute as much as 6,338 houses under N.A.V. their contribution on that basis is less than could reasonably be expected.

The unimproved land value of these industrial properties totals £16,393,523. This works out that the rates payable on them under U.C.V. are equivalent to those payable on that basis by 9,566 standard houses. This agrees closely with what they should be expected to pay in total.

This group of 100 large industrial firms contains 31% of the total net annual value of the municipality. This has led to an unfounded but commonly held belief that the rates on homes would be increased if change was made to unimproved land value basis. Actually, the same industrial firms have 36% of the unimproved land value of the city and would contribute more in total under that basis. Residential properties as a group would gain rate savings at the expense of the industrial firms to an extent which would cover the rates on 3,228 houses.

Although these 100 industrial properties would pay more in total under U.C.V., there are individual firms among them which would save substantially under that basis. These are ones where capital has been invested in buildings adequate to develop the potential of the site. Such are contributing to the prosperity of the city but are being penalized accordingly. The ones which would pay more are those where the potential remains underdeveloped.

The first 20 are very large industrial concerns with land value ranging from a minimum of £207,000 to a maximum of £1,206,000. The last 20 range from £50,000 upwards in land value. Some properties within each of the groups are well-improved while others have negligible improvements.

The relative merits of the rate incidence under the alternative systems can be best judged from the group figures without knowledge of the individual firms concerned. Nevertheless, the contrasting principles governing the rate incidence can be seen by comparing the two concerns most benefited under the respective systems. All others lie between these two extremes.

The one most benefited under U.C.V. is the Vacuum Oil building. This is a new multi-storey building which is unique in the city and a credit to it. Its site area, 21,985 sq. feet, is equivalent to that of 12 standard houses. Under U.C.V. rating it would contribute as much as 100 such houses. Under N.A.V. it pays as much as 507 houses. This colossal impost is not related to any service available from the Council. It is simply proportionate to the firm's own outlay in putting up such a fine building. The excess acts as a fine against development.

The one most benefited under N.A.V. is the John Sharp-Kauri Timber concern. This has 10 holdings totalling 1,058,716 sq. feet, equivalent to 601 standard houses. Under N.A.V. the rates are equivalent to those on only 238 houses.

Under U.C.V. they would pay as much as 682 houses. This is clearly more appropriate to the area occupied and services available. In this case the improvements are almost negligible compared with the site value.

## BUSINESS PROPERTIES

This same measuring-rod was also applied to the smaller industrial and miscellaneous business properties comparing their payments with those of houses. There are 160 smaller industrial properties covered by the survey, which have been arranged in groups of 20 in decreasing order of land value. These comprise nearly all industrial properties down to the site-area of two standard houses. Garages and service stations have been treated as a separate group on their own. So also have hotels.

There is a very important group of valuable business properties in St. Kilda Road between Dorcas Street and the Lorne Street boundary with St. Kilda. Land values are already very high here—ranging from £2½ to £3 per sq. foot—and will go higher as the area is rapidly being turned into a high class business area with multiple storey offices. There are 57 properties rated here, mostly of 100' frontage with 250' depth. Such sites allow plenty of scope for development. There is a similar group of 37 properties in Queens Avenue fronting Albert Park. They contain many high quality flats which are rapidly being occupied by business firms as offices. Both these groups are treated together.

Then there is the main shopping centre in Clarendon Street between York Street and Bridport Street. This has been dealt with as one group, after extracting hotels treated elsewhere. Results for all these groups are summarized in the table below.

| Group   | Total Area (sq. feet) | Un-improved Value U.C.V. £ | Improved Value N.A.V. £ | Equivalent Site Area = Houses | N.A.V. Rates = Houses | U.C.V. Rates = Houses |
|---|-----------------------|----------------------------|-------------------------|-------------------------------|-----------------------|-----------------------|
| <b>Smaller Industrial Properties</b>                  |                       |                            |                         |                               |                       |                       |
| 1. 1-20   | 469,376               | 925,788                    | 53,279                  | 261                           | 341                   | 502                   |
| 2. 21-40  | 384,482               | 728,459                    | 42,720                  | 212                           | 308                   | 416                   |
| 3. 41-60  | 319,039               | 606,710                    | 39,919                  | 174                           | 270                   | 330                   |
| 4. 61-80  | 233,398               | 492,340                    | 32,594                  | 133                           | 221                   | 280                   |
| 5. 81-100   | 194,440               | 397,240                    | 33,397                  | 111                           | 222                   | 215                   |
| 6. 101-120  | 141,266               | 314,320                    | 22,209                  | 84                            | 150                   | 179                   |
| 7. 121-140  | 125,458               | 243,540                    | 17,845                  | 69                            | 116                   | 140                   |
| 8. 141-160  | 90,892                | 144,370                    | 10,472                  | 50                            | 71                    | 82                    |
| (160) Total   | 1,958,351             | 3,852,767                  | 252,435                 | 1,094                         | 1,699                 | 2,144                 |
| <b>Garages and Service Stations</b>                   |                       |                            |                         |                               |                       |                       |
| (36) Total  | 338,872               | 590,040*                   | 31,252                  | 193                           | 211                   | 335*                  |
| <b>Hotels</b>   |                       |                            |                         |                               |                       |                       |
| (36) Total  | 168,498               | 235,680*                   | 82,635                  | 96                            | 558                   | 134*                  |
| <b>St. Kilda Rd. and Queens Ave. Properties</b>       |                       |                            |                         |                               |                       |                       |
| (94) Total  | 2,280,884             | 4,904,780                  | 366,206                 | 1,295                         | 2,474                 | 2,786                 |
| <b>Clarendon St. Shopping (York to Bridport Sts.)</b> |                       |                            |                         |                               |                       |                       |
| (174) Total   | 287,099               | 577,360                    | 42,761                  | 163                           | 280                   | 328                   |

\*Will be higher as no account taken of corner sites having higher value owing to better access than inner lots.

It is seen that the smaller industrial properties as a whole would pay more under the unimproved land value basis to the extent of the equivalent of the rates on 445 houses. Nevertheless there are many well-improved small firms within the groups which would be relieved of unfair burdens imposed on them because of their extent of improvements.

The business properties in St. Kilda Road and Queen's Avenue as a whole would pay more to the equivalent of the rate payments of 312 standard houses. Again, there are exceptions of very well-developed properties among them which would gain, offset by poorly developed properties which would pay more.

Garages and service stations would pay more as a group while hotels would pay less. For both, the land value rates would be somewhat higher than shown in the table, since we have only reckoned their values per square foot as for adjoining inner lots. These types of property generally occupy corner sites with higher value because of the superior access to several streets.

With the Clarendon Street shopping centre change to the unimproved value basis would make little difference in rates overall. But relatively well-improved business premises would pay less while the poorly developed ones would pay more. There would be a new incentive to modernize in the knowledge that it would not result in increased rates simply because of the operator's own efforts.

As far as householders are concerned, the net change over all the business categories covered by this part would be that the increases on the latter would be equivalent to the rate payments saved on 505 houses. This, combined with the savings of houses achieved at the expense of the large industrial properties covered in the previous section, gives an aggregate relief to householders under the unimproved value basis to the equivalent of the rate payments of 3,733 standard homes.

Nor is this summary complete, for it excludes many substantial holdings of vacant land within the industrial and commercial zoned areas. Although there is very little vacant land within the purely residential Canterbury and Beaconsfield Wards, this does not apply to the other three. There the master plan has rezoned large areas for higher uses and there is progressive demolition of old properties for development. While the object is to sell at high price to genuine users, these holdings remain vacant for a long time during which their N.A.V. rate payments are nominal only. On the other hand their U.C.V. payments will be approximately four times as much. It is surprising to find what an extent of vacant land there is in these highly valued industrial and commercial streets, including Kingsway, Moray Street, Clarendon Street, City Road, Albert Road and St. Kilda Road.

A case study is Moray Street which is a changing-use area zoned as Industrial or Special Use, except for a small part zoned Residential A or B for good quality housing. Excluding the Housing Commission settlement, hotels and garage, the Moray Street sites contain 565,700 sq. feet, equivalent to 322 standard houses. Of this 88,300 sq. feet is vacant land produced by demolition of slum properties. This is equivalent in area to 50 standard home sites. Many of the remaining buildings have little more than demolition value.

Under N.A.V. this street contributes only as much in rates as 274 standard houses despite its great potential value for industry. Under U.C.V. it would contribute as much as 485 houses. Thus, the increase on underdeveloped properties

in this street would cover twice over the reductions gained on the Emerald Hill Court Housing Commission dwellings. With the change to business use land values are rising in this area. Under U.C.V. householders in other parts of the city will benefit in lower rates as more of the unearned increment in land value will be ploughed back into city revenue from such developing areas.

The present vacant holdings in these business areas will soon be built upon, especially under the stimulus of site value rating. Their place will be taken by demolition of other old buildings. This process, combined with the appreciation of land values in these areas as new buildings replace the old, will ensure that the savings attainable by South Melbourne homes with change to the unimproved value rating basis will continue to be enjoyed for many years ahead.

## EMERALD HILL COURT HOUSING COMMISSION ESTATE

This project has been described as "the start of a new era in South Melbourne." It has been a tonic to Clarendon Street shopkeepers since it has brought some 600 new customers to their doors where the city had been losing population and dwellings for many years. In the four years 1955-58 inclusive, 366 houses were demolished mainly for industry. By contrast only 38 dwellings were built, all but six being bachelor flats.

The Emerald Hill Court comprises 2½ acres bounded by Dorcas, St. Luke, Coventry and Moray Streets, plus another ½ acre on the opposite side of Dorcas Street. On these sites there were previously 80 dwellings, many of which were sub-standard. The Housing Commission had to pay £152,000 for the land (£50,000 per acre).

The high land cost resulted that rents could only be kept within reach of tenants by multi-storey building. The project comprises one 16-storey block with 120 flats and 11 four-storey blocks of eight flats, i.e., a total of 208 flat dwellings.

The rate treatment on this commendable project for re-development of a blighted area gives a classical illustration of the regressive nature of N.A.V. rating. Immediately before their demolition, the South Melbourne Council and the Board of Works collected £872 yearly in rates from the 80 properties under the N.A.V. basis. Since re-development as a Housing Commission settlement the rates have been raised to a total of £8,385. This averages £40 per dwelling unit.

Services offered by these rating bodies to the sites after completion of re-development were identical with those offered before. **So the Commission (and the tenant in his rent) is charged almost 10 times as much in rates purely because of its outlay of £662,000 on the buildings. Being unrelated to the level of services available, the increased toll taken by N.A.V. rating on re-development is little different from an act of brigandage.**

On the other hand, as the N.A.V. of the Emerald Hill Court settlement at £28,750 is 15.6% of the U.C.V. at £183,000 (allowing 20% rise in value since above actual cost)—the total rates on the dwelling units under U.C.V.

would average £17 compared with £40 (assuming the Board of Works rating system be changed to U.C.V. also). Adherence to the N.A.V. basis for rating now adds 8/10d. weekly to the economic rent otherwise necessary with the project.

This is serious since the Housing Commission is intended to cater for low income groups who cannot afford to pay high rents. The excessive rent necessitated by the N.A.V. rating system cuts against the objective of slum abolition. The Commission finds, too, that the more the area is rehabilitated, the greater is the tendency for surrounding uncleared land to rise in value. The Commission is thus faced with bigger financial outlay when purchasing further areas. Site-value rating, however, acts to curb the increase in land price, thus making it easier for both private developers and the Commission to get sites at reasonable prices.

## CONCLUSION

Our survey has shown that the N.A.V. rating basis charges South Melbourne householders far more than their fair share of council costs. Change to the unimproved capital value basis would cut the rate bills of approximately 80% of householders by about half. They would also gain fairer treatment between one householder and his neighbour. In the same street relative payments would be according to frontage or area instead of whether the house was well-maintained or neglected, new or old. Householders would gain savings at the expense of the industrial areas as a whole. Nevertheless, well-developed industrial properties would also benefit at the expense of underdeveloped industrial sites. This shifting of the rate burden would penalise none. It would simply call upon those properties who have been paying less than their fair share to pay on the same basis as their neighbours. In this process the poorly-improved holdings being called upon to pay an increased share would enable the well-improved holdings to pay less. The higher payments on underdeveloped land would make owners more willing to sell to others able to use them. The knowledge that spending of money in making improvements would not be penalized by higher rates would make owners improvement-minded. Accelerated re-development resulting would improve the trade and general prosperity of the commercial area.

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# LAND VALUES RESEARCH GROUP

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# SOUTH MELBOURNE

SHOWING INCIDENCE OF MUNICIPAL RATING SYSTEMS

WHERE DO YOU LIVE ON THIS MAP?

IF YOUR HOME IS IN A SECTION COLOURED BLUE OR GREEN YOU MUST VOTE YES AT THE POLL FOR CHANGE TO SITE-VALUE RATING (U.C.V.).

## NOTES

- (1) U.C.V. means unimproved value of the land alone.
- (2) N.A.V. means rental value of land and buildings.
- (3) Areas zoned industrial and special use are mainly north and east of dotted line.

RATES UNDER U.C.V. ARE:

LESS   
 SAME   
 MORE 

THAN UNDER N.A.V.

