

OBJECTS AND REASONS FOR DIFFERENTIAL RATES



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The following Objects and Reasons are provided in accordance with Sections 6.33 and 6.36 of the Local Government Act 1995 and the Council's "Notice of Intention to Levy Differential Rates" for the 2019-2020 financial year on various categories of properties within the City. This paper details the Objects and Reasons for those proposals.

Rates are a primary source of revenue for the City of Fremantle and are levied each financial year on all ratepayers in a manner that is deemed to be fair and equitable so as to meet the City's annual budget commitments.

Rates are levied on all rateable properties within the boundaries of the City of Fremantle Municipality in accordance with the Local Government Act 1995. The overall objective of the proposed rates and charges in the 2019-2020 Budget is to provide for the net (i.e. after taking into account all other forms of revenue) funding requirements of the City's services, activities, financing costs and the current and future capital requirements of the City as outlined in the City's Strategic Community, Corporate Business and Long Term Financial Plans.

The rates in the dollar will be applied on the general valuation as supplied by the Valuer General (VG) in respect of gross rental values (GRVs) effective from 1 July 2017 and as amended by any interim valuations received subsequent to that date.

If land is undeveloped, a statutory valuation of three per cent of the unimproved value is applied to residential properties and five per cent for commercial and industrial properties.

Differential Rate Categories

The Local Government Act 1995 states in Section 6.32. Rates and service charges that:

- (1) When adopting the annual budget, a local government —
 - (a) in order to make up the budget deficiency, is to impose* a general rate on rateable land within its district, which rate may be imposed either —
 - (i) uniformly; or
 - (ii) differentially;

The City intends to retain the following differential rate categories:

- Residential Improved
- Commercial and Industrial General
- Vacant Commercial and Industrial
- City Centre Commercial
- Nightclubs
- Vacant Residential Land
- Short Stay Accommodation

Section 6.33 of the Local Government Act sets out the basis on which differential general rates may be based:

- (1) A local government may impose differential general rates according to any, or a combination, of the following characteristics —
 - (a) the purpose for which the land is zoned, whether or not under a local planning scheme or improvement scheme in force under the *Planning and Development Act 2005*; or
 - (b) a purpose for which the land is held or used as determined by the local government; or
 - (c) whether or not the land is vacant land; or
 - (d) any other characteristic or combination of characteristics prescribed.
- (2) Regulations may —
 - (a) specify the characteristics under subsection (1) which a local government is to use; or
 - (b) limit the characteristics under subsection (1) which a local government is permitted to use.
- (3) In imposing a differential general rate a local government is not to, without the approval of the Minister, impose a differential general rate which is more than twice the lowest differential general rate imposed by it.
- (4) If during a financial year, the characteristics of any land which form the basis for the imposition of a differential general rate have changed, the local government is not to, on account of that change, amend the assessment of rates payable on that land in respect of that financial year but this subsection does not apply in any case where section 6.40(1) (a) applies.
- (5) A differential general rate that a local government purported to impose under this Act before the Local Government Amendment Act 2009 section 39(1) (a) came into operation is to be taken to have been as valid as if the amendment made by that paragraph had been made before the purported imposition of that rate.

Minimum Payment

The Local Government Act 1995, Section 6.35, sets out the basis on which Minimum Rates may be levied.

- (1) Subject to this section, a local government may impose on any rateable land in its district a minimum payment which is greater than the general rate which would otherwise be payable on that land.
- (2) A minimum payment is to be a general minimum but, subject to subsection (3), a lesser minimum may be imposed in respect of any portion of the district.
- (3) In applying subsection (2) the local government is to ensure the general minimum is imposed on not less than —
 - (a) 50% of the total number of separately rated properties in the district; or
 - (b) 50% of the number of properties in each category referred to in subsection (6), on which a minimum payment is imposed.
- (4) A minimum payment is not to be imposed on more than the prescribed percentage of —
 - (a) the number of separately rated properties in the district; or
 - (b) the number of properties in each category referred to in subsection (6), unless the general minimum does not exceed the prescribed amount.

(5) If a local government imposes a differential general rate on any land on the basis that the land is vacant land it may, with the approval of the Minister, impose a minimum payment in a manner that does not comply with subsections (2), (3) and (4) for that land.

(6) For the purposes of this section a minimum payment is to be applied separately, in accordance with the principles set forth in subsections (2), (3) and (4) in respect of each of the following categories —

- (a) to land rated on gross rental value;
- (b) to land rated on unimproved value; and
- (c) to each differential rating category where a differential general rate is imposed.

Being cognisant of the City's strategic community, corporate business and long term financial plans, it is proposed** to increase the rate in the dollar and minimum payment on all differential rating categories by an average 1.50% for the 2019-2020 financial year.

The proposed rate in the dollar and minimum payment for each differential rating category are:

Differential Rate Category	Proposed Minimum Payment	Proposed Rate in the Dollar (\$)
Residential Improved	\$1,340	0.073110
Commercial and Industrial General	\$1,340	0.081355
Vacant Commercial and Industrial	\$1,340	0.146219
City Centre Commercial	\$1,340	0.086031
Nightclubs	\$1,340	0.146220
Vacant Residential Land	\$1,298	0.117018
Residential Short Stay Accommodation	\$1,340	0.081345

(NOTE: The proposed rate in the dollar and minimum payment amounts may be varied by Council when adopting the annual budget.)**

Following are the objects and reasons for each of the differential rates:-

1. Residential Improved

Characteristics

The residential improved differential general rate applies to land valued on a Gross Rental Value basis (GRV) that is used for residential purposes under the Local Planning Scheme No. 4 however may be located in any zone.

Objects and Reasons

The object of this rate is to apply a base differential general rate to land zoned and used for residential purposes and to act as the City's benchmark differential rate by which all other GRV rates properties are assessed. The purpose of which is to ensure that all ratepayers make a reasonable contribution towards the ongoing maintenance and provision of works, services and facilities throughout the City of Fremantle. It is also lower than vacant land as the City endeavours to encourage landowners to develop vacant land.

The proposed rate in the dollar of GRV value for this rate category is 0.073110¢ with a minimum payment amount of \$1,340. This will apply to 13578 properties or 83.23% of the City's rateable properties.

2. Commercial and Industrial Differential Rate

Characteristics

The commercial and industrial differential general rate applies to all commercial and industrial properties that are zoned under the Local Planning Scheme No. 4 for commercial and industrial purposes and which are not specifically covered by any other differential rate and is valued on a Gross Rental Value basis (GRV).

Objects and Reasons

The object of this rate is to apply a differential rate to land zoned and used for commercial and industrial purposes to ensure that a reasonable contribution is made towards the higher costs of ongoing maintenance and provision of works, services and facilities located in these zones. These costs include the additional costs associated with economic development initiatives, marketing and transport links.

The proposed rate in the dollar of GRV value for this rate category is 0.081355¢ with a minimum payment amount of \$1,340. This will apply to 1742 Properties or 10.68% of the City's rateable properties.

3. Vacant Commercial and Industrial Land Differential Rate

Characteristics

The vacant commercial and industrial land differential general rate applies to vacant land that is zoned under the Local Planning Scheme No. 4 for commercial and industrial purposes.

Under the Valuation of Land Act 1978 (VLA), land for which no active rental market exists is required to be valued on a prescribed percentage of capital value. Landgate Property and Valuation Services prescribe a rate of 5% on vacant commercial and industrial land.

Objects and Reasons

The city considers the development of vacant commercial and industrial rateable land in the best interests of the community therefore has set a differential higher than that which applies to developed commercial and industrial properties

The proposed rate in the dollar of GRV value for this rate category is 0.146219¢ with a minimum payment amount of \$1,340. This will apply to 57 Properties or 0.35% of the City's rateable properties.

4. City Centre Commercial Differential Rate

Characteristics

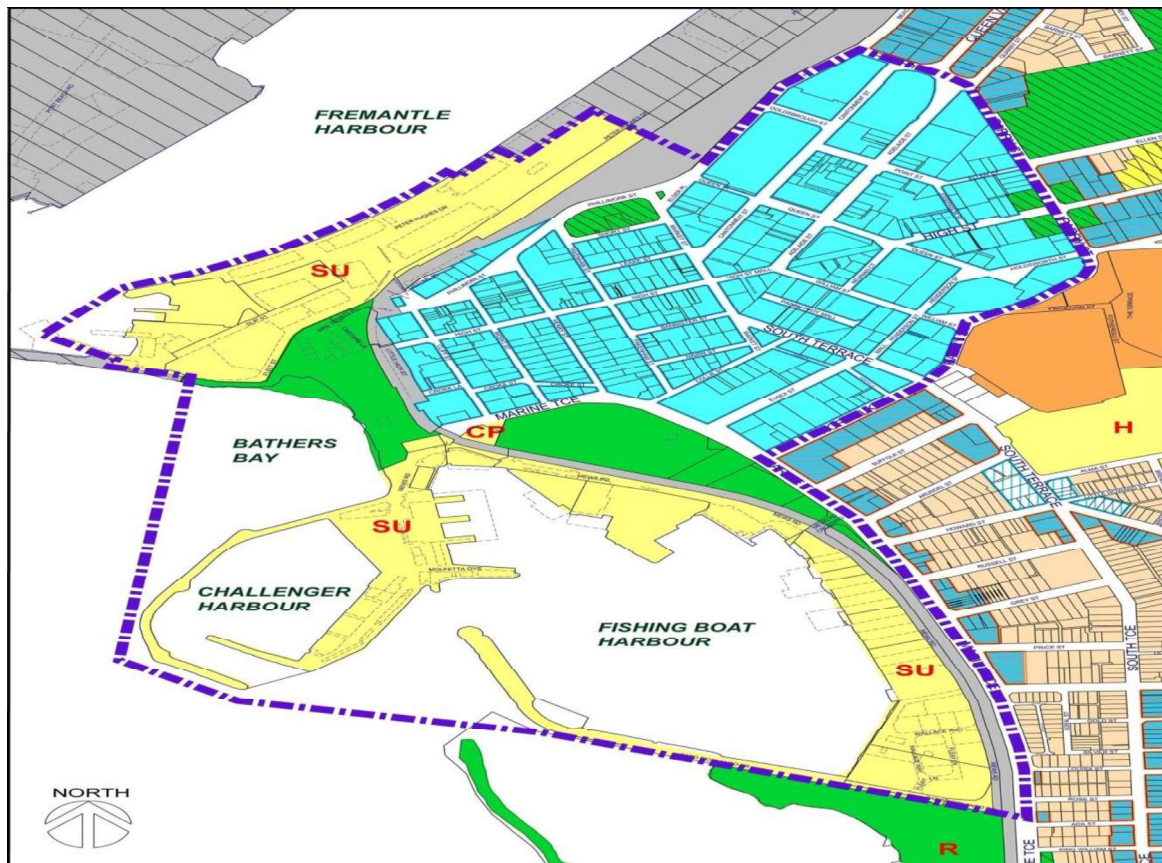
The City Centre Commercial differential general rate applies to all properties other than residential located within the boundaries of the City Centre zone and the abutting Metropolitan Regional reserves (refer map below) being areas bounded by Parry Street, Norfolk Street and including those properties located in Fremantle Fishing Boat and Challenger Harbours and on Victoria Quay.

Objects and Reasons

The object of this rate is to apply a differential rate to land zoned and used for commercial purposes to ensure that a reasonable contribution is made towards the higher costs of ongoing maintenance and provision of works, services and facilities located in these zones. The rate in the dollar is higher than that of the Commercial and Industrial differential rate.

Additional funds raised are to be allocated to the City's destination marketing activities in line with the endorsed [Destination Marketing Strategic Plan 2018-2022](#) which aims to support all consumer facing industries in Fremantle including retail, hospitality, tourism and professional services. This includes costs associated with facilitating Fremantle as regional centre.

The proposed rate in the dollar of GRV value for this rate category is 0.086031¢ with a minimum payment amount of \$1,340. This will apply to 435 Properties or 2.67% of the City's rateable properties.



5. Nightclubs Differential Rate

Characteristics

The Nightclubs differential general rate applies to any venues that are used for entertainment with or without eating facilities that open from the evening until early morning, having facilities such as a bar and disco or other entertainment and are licensed under the Liquor Control Act 1988. These premises are also subject to the City of Fremantle Late Night Entertainment policy.

Objects and Reasons

Nightclubs that operate outside usual business hours, frequently impact the community and present additional challenges for the City requiring a higher level of resourcing to maintain and remediate surrounding amenities due to anti-social behaviour that often occurs.

The nightclubs differential rate applies to venues that operate beyond 2:00am to recover the increased resourcing costs directly and indirectly linked to the operation of these venues. Resourcing to address noise complaints, vandalism, increased street sweeping and cleaning costs, unsociable behaviour, facilitating safe access to public transport and taxis for all visitors to the city including nightclub patrons and CCTV surveillance.

The proposed rate in the dollar of GRV value for this rate category is 0.146220¢ with a minimum payment amount of \$1,340. This will apply to 3 Properties or 0.20% of the City's rateable properties.

6. Vacant Residential Land Differential Rate

Characteristics

The vacant residential land differential general rate applies to vacant land that is zoned under the Local Planning Scheme No. 4 for residential purposes.

Objects and Reasons

The City considers the development of all vacant rateable land to be in the best interests of the community as it will improve increase the vibrancy of the City and neighbourhood centres.

The proposed rate in the dollar of GRV value for this rate category is 0.117018¢ with a minimum payment amount of \$1,298. This will apply to 320 Properties or 1.96% of the City's rateable properties.

7. Residential Short Stay Accommodation

Characteristics

The residential short stay accommodation differential general rate applies to land zoned residential where a purpose for which the land is held or used is to offer home short stay lodging primarily for tourism experiences and includes the following dwellings in accordance with the [Short Stay Accommodation Local Law](#) or otherwise approved under LPS 4 for short stay accommodation.

- a) One bedroom dwelling used primarily for short stay accommodation
- b) Dwellings with two or more bedrooms used for short stay accommodation

Objects and Reasons

The object of this differential general rate is to ensure the owners of residential land wholly or partly used for the commercial purpose of short stay accommodation contribute to the provision of services and facilities that may be associated with such commercial use.

The proposed rate in the dollar of GRV value for this rate category is 0.081345¢ with a minimum payment amount of \$1,340. This will apply to 178 Properties or 1.09% of the City's rateable properties.