

Statement of Objects & Reasons for Differential Rates

Overview:

The City of Perth applies a differential rating approach to levying rates. That is, it distinguishes between different classifications of properties based upon the predominant use of the land - and then uses that differentiation to influence the level of rating contribution from that property classification.

This provides the opportunity to levy different rates in the dollar (RID) on the GRVs of different property classifications to reflect the differing levels of demand placed on City services and public realm infrastructure by ratepayers in each differential rating classification.

It also gives Council the flexibility to support or incentivise a particular industry sector in a given year in response to inconsistencies in the way in which different property classifications may be impacted in a revaluation year.

The City of Perth imposes differential rates under the provisions of Section 6.33 of the Local Government Act 1995 on all rateable land within the City according to the predominant purpose for which the land is held or used, as determined by the City.

Principles of Differential Rating:

Determination of differential rates is conducted in accordance with both the statutory and ethical principles of differential rating as disclosed below.

Principle	Interpretation
Objectivity	As far as possible the predominant use of land is reviewed and determined on the basis of an objective assessment of relevant criteria. This ensures that external parties are able to understand how and why a particular determination was made.
Fairness & Equity	Rating principles are applied fairly and equitably - recognising that each property should make a fair contribution to rates based on a method of valuation that appropriately reflects predominant use.
Consistency	Rating principles are applied, and determinations made, in a consistent manner. Like properties are treated in a like manner.
Transparency	Systems and procedures for determining the method of valuation of land are clearly documented and available for the public to inspect. This is fundamental to the "good government" principle upon which the Act is based. The right to govern accompanies the obligation to do so openly and fairly
Administrative Efficiency	Rating principles and procedures are applied and implemented in an efficient and cost-effective manner.

For the 2021/22 Budget Year, the City anticipates collecting essentially the same rates yield as was collected in 2020/21 - that is a zero percent rates increase.

Differential Rate Classifications:

Currently, the City uses six (6) differential rate classifications to distribute required contributions to the rates pool as detailed below:

- Commercial
- Retail
- Hotel
- Office
- Residential
- Vacant Land

The objects of, and reasons for, each of these differential property classifications are described below.

Commercial

The Commercial classification relates to land where the predominant (primary) purpose for which the land is used is commercial in nature. Commercial operations include entertainment venues, restaurants, cafes, pubs, microbreweries and sporting venues and commercial supply warehouses. Whilst these properties attract visitors to the City and contribute to city vitality, their patrons may not directly contribute to the cost of City provided services; but do consume amenity related services such as public realm cleanliness, public safety, waste management, parking management and transport infrastructure provided by the city. As such, the commercial property ratepayers are required to contribute equitably to the cost of such services that are enjoyed by their patrons.

For the 2021/22 year the parameters applying to the Commercial differential rates classification are:

Differential Rate in \$	Minimum Rate	Anticipated Rates Yield
6.47853 cents	\$800	\$6.894M

Retail

The Retail classification includes retail sales and services. This property class relies upon City funded services such as activations and events, parking management, street cleaning and public safety to attract visitors and tourists to the City to generate economic activity. As significant beneficiaries of the City’s activations and event spend along with other amenity related services; retail property ratepayers pay a similar differential rate to commercial property ratepayers.

For the 2021/22 year the parameters applying to the Retail differential rates classification are:

Differential Rate in \$	Minimum Rate	Anticipated Rates Yield
6.47926 cents	\$750	\$8.519M

Hotel

The Hotel classification relates to land where the predominant purpose for which the land is held or used is hotels, short-stay serviced apartments, hostels or board and lodging accommodation. The objective of this differential property classification is to ensure that the proportion of total rates revenue derived from Hotel properties represents an equitable contribution towards amenity services such as public realm cleanliness and asset maintenance, public safety, activation, parks and gardens and public art. This property category receives a positive rating differential in recognition of its contribution through flow on economic impact to the commercial sector.

For the 2021/22 year the parameters applying to the Hotel differential rates classification are:

Differential Rate in \$	Minimum Rate	Anticipated Rates Yield
6.41214 cents	\$750	\$7.699M

Office

The Office classification relates to land where the predominant purpose for which the land is held or used is as office accommodation. This property category generates the largest portion by far of daily pedestrian and vehicle movements to the city and consequentially places the highest demand on transport infrastructure, parking management and amenity services including public safety, rubbish and sanitation, parks and passive recreation areas.

However, the challenge of responsibly balancing the prevailing business climate and office vacancy rates to sustain a thriving CBD is also an important factor influencing the differential rate for this property category. Given the large number of daily visitors brought into the City by the office sector, it is important to acknowledge the economic flow on impact of the office classification properties on Commercial, Hotel and Retail sectors. The purpose of this differential rate classification is to ensure that all ratepayers in this category still make an equitable contribution to the cost of maintaining the City's public realm. Accordingly, the Office classification has the lowest differential rate.

For the 2021/22 year the parameters applying to the Office differential rates classification are:

Differential Rate in \$	Minimum Rate	Anticipated Rates Yield
5.45000 cents	\$800	\$53.459M

Residential

The Residential classification relates to land where the predominant purpose for which the land is held or used is residential. The purpose of this differential rate is to ensure that all ratepayers in this category make an equitable contribution towards service provision and for the ongoing maintenance of the City's assets primarily used by residential ratepayers. Residential ratepayers consume more community focused services and facilities such as parks, library, services for youth, families and aged, rubbish and sanitation but are less likely to create heavy demand for services such as transport infrastructure, cleansing or activations. Accordingly, this classification has a differential rate higher than Office, but slightly less than Commercial or Retail.

For the 2021/22 year the parameters applying to the Residential differential rates classification:

Differential Rate in \$	Minimum Rate	Anticipated Rates Yield
6.45000 cents	\$750	\$53.459M

Vacant Land

The Vacant Land classification relates to the limited stock of vacant land in the City. A higher rate in the dollar is set with the intention of discouraging land-banking. By encouraging development of vacant land, the City supports economic growth. The use of the higher differential rate to discourage the holding of vacant land also minimizes opportunities for problems such as littering, graffiti and anti-social behaviour which may occur on long held vacant land parcels.

For the 2021/22 year the following parameters apply:

Differential Rate in \$	Minimum Rate	Anticipated Rates Yield
7.39961 cents	\$800	\$0.947M

Minimum Rates

Local governments recognise that all ratepayers have an equal opportunity to enjoy the facilities and services provided by Council, regardless of the value of the ratepayer's property or the level of use they choose to make of those services and facilities. Accordingly, the minimum rate ensures that all ratepayers make a reasonable contribution to the cost of providing services, programs and facilities.

The minimum rates proposed for each differential rates category for the 2021/22 budget year are shown in the tables above.