

LAND VALUES RESEARCH GROUP STUDY

CITY OF ARARAT.

GENERAL.

This study was undertaken to ascertain the incidence of the General, Water and Sewerage rates under the two alternative rating bases Unimproved Capital Value and Net Annual Value respectively in the City of Ararat. General rates are at present levied on the unimproved capital value while the water and sewerage rates are levied on the net annual value.

The study was initiated because of dissatisfaction expressed over water and sewerage rating in press reports and an editorial suggesting such a study. It is particularly directed to establishing the incidence of the rating systems upon housing properties.

The study is made by analysis of the values shown on the municipal voters' rolls for 1961/62 this being the last available which recorded both the unimproved and net annual values. There has been a later revaluation since which increased values generally considerably but produced practically no change in the overall ratio of the total of unimproved value to total net annual value for the city as a whole. This ratio was 4.30 on the old valuation and 4.34 on the new so that the incidence disclosed by the study for residential and other types of property is still applicable.

The incidence as shown for the general rate under the alternative rating systems is also applicable to the water and sewerage rates so far as the percentage increases under one system as against the other is concerned. All properties have water available and approximately 85 percent of the city is sewered.

The total unimproved capital value of the city was £1, 079, 802 and the total net annual values of £251, 723. The general rate on the U. C. V. was 11d. in the £ which was equivalent to 47.18d in the £ of N. A. V.

The values of the properties accounted for by roll analysis totalled £948, 216 unimproved value and £227, 834 net annual value. This is approximately 88 percent of the city total. Missing holdings comprise mainly vacant land holdings and business properties not all of which exercise their rights to nominate representatives to the roll.

In the following tabulation of results the numbers shown relate only to the properties involved treating joint occupiers as one property even though each appears separately on the roll.

OVERALL RESULTS.

	Group A.	Group B.
	Rates least <u>Under U. C. V.</u>	Rates least <u>Under N. A. V.</u>
No of holdings	1, 269	857
Percentage of total	60	40
Total site values (U. C. V.)	£ 381, 976	£ 566, 240
Total value of improvements	2, 650, 724	957, 740
Total Net Annual Values	151, 635	76, 199
Rates payable under U. C. V.	17, 525	25, 979
Rates payable under N. A. V.	29, 813	14, 982

Of the 857 carrying lower rates under N. A. V., 137 are of vacant land only while a further 58 include vacant land with other improved properties. Excluding the purely vacant land holdings (137) 64% of the properties with some kind of improvements upon them benefit under the site value rating basis for general, water or sewerage rating.

The value of improvements has been approximated taking the N. A. V. as 5% of the total value of land plus improvements. It will be seen that in Group A the value of improvements by holders on their sites is more than six times the value of the sites themselves. Degree of development is high. In Group B degree of development is low, the value of improvements being less than double that of the sites.

HOUSES .

Of the total 1, 754 homes, 1206 (68%) would carry lower rates under site value rating for general, water or sewerage rates . The average penalty imposed by N. A. V. rating on these is 75% higher rates.

For the minority which would carry lower rates under N. A. V. the average penalty imposed by U. C. V. rating averages only 49% above the N. A. V. level.

We consider the treatment of homes as a vital criterion as to the relative merits of the rating systems. Hence we have tabulated below the position for each street in which more than 20 homes were accounted for on the Voters' Roll.

<u>Street</u>	<u>Number of Homes Which Pay</u>	
	<u>Least Rates under U. C. V.</u>	<u>Least Rates under N. A. V.</u>
Albert	16	7
Barkly	66	72
Banfield	37	25
Blake	21	-
Campbell	26	-
Churchill	33	11
Dawson	14	11
Elizabeth	18	7
George	15	14
Hewitt	19	1
High	56	42
Laidlaw	28	1
Lambert	35	16
McGibbony	29	8
McLellan	17	12
Montgomery	28	-
Moore	41	32
Palmer	12	10
Port Fairy	17	7
Queen	44	20
Rundell	33	24
Smith	39	-
Tobin	20	3
Tulson	20	12
Vincent	19	21
Viewpoint	20	21

Of these, only Barkly and (very narrowly) Vincent and Viewpoint Streets would not benefit in lower rates for water and sewerage under change to the unimproved capital value basis of rating.

HOUSES AND LAND

Of 83 holdings combining vacant land with homes 58 (or 70%) would pay least under the N. A. V. basis. They generally comprise properties not being fully developed. On them the U C. V. rates would be higher by an average of 75%.

On the other hand, the 25 in this group benefiting under the U. C. V. basis are penalised by N. A. V. rating to an average of 70% higher.

MISCELLANOUS HOUSING.

This small group of properties, consisting of a house associated with some other improvements totalled 18 holdings of which 11 benefit under U. C. V. On them the N. A. V. rates would average 40% more than U. C. V. For the other 7 the U. C. V. rates are higher by 70%.

VACANT LAND

All properties in this category pay higher rates under the U. C. V. basis the average penalty as compared with N. A. V. being 314%. The U. C. V. basis thus gives a constant stimulus to the owner to make vacant sites earn or release them to others who will do so. There were 137 holdings of vacant land only accounted for on the Voters' Roll with a further 83 combined with other improvements. The total number of vacant landholdings at the time was approximately 600 so that a high proportion of the values not accounted for on the rolls must be for this class of property.

COMMERCIAL & INDUSTRIAL.

There were 27 such properties which would pay least under U. C. V. upon which the penalty effect of N. A. V. would average 55% more than U. C. V.

There were 107 which would pay least under N. A. V. and upon them the penalty effect of U. C. V. would average 79% more than N. A. V.

(The position of the commercial properties will have changed significantly since then following the revaluation because at the time to which the 1961/62 roll relates, there was a high proportion of the Barkly Street commercial premises with obsolete pillar-supported verandahs. Since then there has been an almost complete transformation to modern type cantilever verandahs and shop fronts, with the freedom from penalty upon such improvements offered by the U. C. V. system. More recent figures will show a higher proportion of such properties are now benefited by U. C. V. because of the improvement in their condition).

SUMMARY.

1. The survey shows that the unimproved value basis is clearly in the best interests of the occupiers of the residential properties upon whose prosperity all other sections depend. This is equally true of water and sewerage rates as for the general rates.
2. The unimproved value basis was adopted by Ararat City Council itself for the general rates.
3. This decision has been confirmed by the study to have been a wise one and has accelerated the advancement of the City.
4. It is now recommended that the water and sewerage rates also be changed to the unimproved value basis so that it can justly be claimed in future that the City does not impose any rate penalty upon its citizens for their own improvements.

ACKNOWLEDGMENTS.

Special acknowledgments are due to the following who assisted in the roll analysis and preparation of this study :

Mr. L.F. Bawden : Mrs. R.A. Clark : Messrs. F. Eyles : G.A. Forster :
R.W. Forster : L.J. Hutchinson : Mrs. M.A. Hutchinson : Messrs.
P. McKenzie : N.R. Whitelock.

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12th. March. 1968.