

Rating Land Values in Practice

Effects in Rural and Provincial Areas of Victoria

(In the last issue a summary was given of the effects of Rating on land values in the municipalities comprising Greater Melbourne. This second article of the series, by A. R. Hutchinson, B.Sc., reviews the results of Land Values Rating in rural and provincial areas in Victoria.)

In New South Wales, Queensland and the Road Districts of Western Australia it is required by law that municipal bodies raise the whole or the major part of their revenue from rates upon the unimproved value of the land. In Victoria, however, such rating is not compulsory. Local authorities have the option of rating upon the Annual Value or changing to the new system of Rating Upon Land Values. The change to the latter basis can be made by the Council upon its own resolution or as the result of a poll of ratepayers which can be initiated by a petition signed by 10% of the ratepayers on the roll.

In Victoria there are only five rural or provincial areas which have so far adopted rating upon land values for their local government revenue. These are the Town of Newtown-Chilwell, Borough of Portland, and Shires of Yea, Dandenong and Rosedale. To these might be added the cities of Mordialloc and Chelsea, which being 15 and 20 miles respectively from Melbourne belong to the perimeter areas, which will be treated separately in a later article. These five districts have all had 20 years' experience of land value rating and their development compared to that of surrounding areas has been striking.

Regional comparisons are made below for the first three of these areas showing their development compared with their neighbouring districts in each of the four main indicators of rural progress: Population Increase, Occupied Dwelling Increase, Increase in Holdings and Ratepayers' Increase. In addition, the increase in dwellings owned by their occupiers over the census period, 1921-1933, is given. Of these indicators the first two and the last are in themselves evidences of rural progress. On the other hand, heavy increase in number of holdings and ratepayers may be evidence of speculative subdivision, if these increases greatly exceed the Occupied Dwelling increase.

Newtown-Chilwell and Surrounding Areas, 1921-1939

The neighbouring districts compared are Geelong City, Geelong West City, Queenscliffe Borough, Corio, Bannockburn, Barrabool, and Bellarine Shires.

Item Compared	Newtown and Chilwell (U.L.V.)	Average of 7 Neighboring Districts (A.V.)	Ratio— Newtown Neighbors
	Per cent. Increase	Per cent. Increase	
Population	25	17	1.47 times
Occupied Dwellings	52	39	1.34 times
Total Holdings	37	96	0.38 times
Ratepayers	33	71	0.46 times
Dwellings Occupied by Owners, 1921-33	27.2	13.4	2.03 times

The increase in occupied dwellings for Newtown-Chilwell greatly exceeds the increase in holdings, showing that blocks previously vacant have been built upon and that what subdivision has taken place has not been speculative. On the other hand, the neighbouring districts have had a very great increase in number of holdings and ratepayers, but the **subdivision** in their case was speculative as shown by the fact that these increases greatly exceeded the dwelling increase. In all these comparisons the difference is markedly in favor of the Land Value Rating Area. The rate imposed in Newtown-Chilwell averaged 4½d. in the £ of Unimproved Land Value.

Portland Borough and Surrounding Areas, 1921-1939

Comparing Portland Borough with the following surrounding areas rating on the Annual Value System:—Warrnambool City, Port Fairy and Koroit Boroughs, Portland, Warrnambool, Belfast, Dundas, Glenelg, Minhamite, Mount Rouse, and Wannon Shires.

Item Compared	Portland Borough (U.L.V.)	Average of 9 Neighboring Districts (A.V.)	Ratio— Portland Neighbors
	Per cent. Increase	Per cent. Increase	
Population	18	6	3.0 times
Occupied Dwellings	62	19	3.26 times
Total Holdings	67	27	2.48 times
Ratepayers	114	14	8.12 times
Dwellings Owned by Occupiers, 1921-33	19.5	10.4	1.87 times

The development of Portland Borough under land value rating as shown by these indicators is very striking and confirms the claims that rates on land values promote building development and diffusion of ownership of properties. Excess of holding increase over dwelling increase may indicate some speculative subdivision, but much less than in the neighbouring districts, where the excess is 50% of the dwelling increase and is very definitely speculative. Not only

does Portland Borough show much more favorable development for all these indicators compared with the neighbouring areas, but it shows much greater development than the average of all the 16 other boroughs in Victoria which can be compared over the same period. Portland shows 1.5 times this average for percentage increase in population, 2.48 times for increase in occupied dwellings, 5.15 times the increase in total holdings, 7.10 times the increase in ratepayers, and 1.48 times the percentage increase in dwellings owned by the occupiers between the census of 1921 and 1933. The rate imposed over this period averaged 4½d. in the £ on the unimproved value of land.

Yea Shire and Surrounding Shires, 1921-1939

Comparing Yea Shire with the following neighbouring shires rating on the Annual Value System:—Alexandra, Broadford, Euroa, Goulburn, Healesville, Kilmore, Mansfield, Pyalong, Seymour, Violet Town.

Item Compared	Yea Shire (U.L.V.)	Average of 10 Neighbouring Shires (A.V.)	Yea Ratio— Others
	Per cent. Increase	Per cent. Increase	
Population	7	—1.6	Infinite
Occupied Dwellings . . .	21	18.6	1.12 times
Total Holdings	38	1.6	23.7 times
Ratepayers	3	12.6	0.25 times
Dwellings Owned by Occupiers, 1921-33 . . .	25	7	3.58 times

For the three indicators most definitely showing progress, viz., population, occupied dwellings and owner-purchase increase, Yea shows much greater development than the regional average. The fact that the ratepayers' increase has been small compared with the occupied dwelling increase indicates that holders who had previously held undeveloped holdings have been induced to develop their holdings, while the great increase in holdings compared with ratepayers' increase shows that large undeveloped holdings have been subdivided and purchased by other people already ratepayers. The amount of the rate imposed in Yea is 2½d. in the £ on the unimproved value of land.

In all three regional comparisons the development has strikingly endorsed the predictions of the advocates of Land-Value rating. Holdings previously held for speculation have been opened to genuine settlers at reduced price levels. Dwelling construction has been markedly stimulated with the removal of the rate burden from improvements. Population and ratepayers have increased considerably. The fact that the percentage increase in holdings with dwell-

ings owned by the occupiers in the districts rating land values so greatly exceeds that for the neighbouring districts still rating on the Annual Value system, is of great social significance.

In addition to these striking evidences of superior development in the districts rating on land values, another important fact should be remarked upon. Portland Borough, in addition to showing superior development over its neighbouring districts and the other 16 boroughs, achieved all this while the average amount paid per ratepayer has been reduced from \$4/14/- at 1921 to £4/2/- at 1939, due to the great increase in the number of ratepayers. There have been a few other cases of reduced rates among the municipalities, but Portland Borough is the only one which has been able to give a reduced rate and at the same time have available a greatly increased rate revenue.

The percentage change in amount of the rate per ratepayer and the increase in the rate revenue fund received by the Council are compared below for Portland Borough, the average of the 11 neighbouring districts, and the average for the 16 other boroughs whose boundaries have been substantially unaltered over the period.

Districts Compared	Municipal Rate Revenue Change 1921-1939	Change in Rate Per Ratepayer 1921-1939
	Per cent.	Per cent.
PORTLAND BOROUGH	+85	—15
11 Neighboring Districts	+36	+22
16 Other Boroughs	+51	+33

It is evident that Portland Borough rating on Land Value is in a far more favorable position than other municipalities without imposing increased rate burdens upon its citizens.

WHAT OF YOUR DISTRICT ?

The facts given in the preceding article are very striking. They clearly show that Local Government rating on Unimproved Land Values results in increased population, better diffusion of ownership, aids land usage as opposed to land speculation, provides an increasing municipal revenue while reducing the rate burden to the individual ratepayer.

Ignorance of these facts of experience of this system is responsible for many municipalities failing to exercise their power to adopt Rating on Land Values by resolution.

Why not bring these facts to the attention of your own municipal or shire councillors and other local bodies who may move in the matter? As the platforms of both the Country and Labor Parties favor Land Value Rating, the co-operation of the branches of both these bodies may be sought.

[Reprinted from "Progress," 1.10.43, for Rating Reform League, 18 George Parade, Melbourne, C.I.]

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Regional comparisons are made below for the first three of these areas showing their development compared with their neighbouring districts in each of the four main indicators of rural progress: Population Increase, Occupied Dwelling Increase, Increase in Holdings and Ratepayers' Increase. In addition, the increase in dwellings owned by their occupiers over the census period, 1921-1933, is given. Of these indicators the first two and the last are in themselves evidences of rural progress. On the other hand, heavy increase in number of holdings and ratepayers may be evidence of speculative subdivision, if these increases greatly exceed the Occupied Dwelling increase.

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In addition to these striking evidences of superior development in the districts rating on land values, another important fact should be remarked upon. Portland Borough, in addition to showing superior development over its neighbouring districts and the other 16 boroughs, achieved all this while the average amount paid per ratepayer has been reduced from £4/14/- at 1921 to £4/2/- at 1939, due to the great increase in the number of ratepayers. There have been a few other cases of reduced rates among the municipalities, but Portland Borough is the only one which has been able to give a reduced rate and at the same time have available a greatly increased rate revenue.

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LAND-VALUE RATING AND COST OF HOME SITES

How important land-value rating has proved in practice in promoting building and settlement can be seen from further consideration of its effects in the municipalities of Greater Melbourne, already examined in some detail in the September issue of "Progress."

The primary requisite to any form of building is the site upon which the building will stand. The cost of that site is the first limitation which the would-be home owner meets. The cost of home sites in the residential municipalities of Melbourne, while varying greatly in different localities, averaged approximately £250 in 1939. This presents a very severe obstacle even to those whose earning power would allow them to accumulate money for home ownership. Even if saving is made at £1 a week (practically impossible for the basic-wage earner) this means at least five years before enough money is accumulated to buy the site.

The ideal situation would exist if no capital outlay at all were required to purchase the land, for then all savings would go directly into provision of the dwelling itself. If the full land-rent were collected by the Government this condition would arise. While the Local Rating on land values is not at a level heavy enough to bring about this ideal condition it is sufficient to greatly reduce the price which home-builders have to pay for sites.

The measure of the effect on the price of land is given by the difference in the amount of the rates which fall on land under the U.L.V. and Annual Value Rating systems respectively. The difference in amount of this rate when capitalised at 5% gives approximately the increased price which the owner would be able to get for the site if rates were upon the Annual Value system. These figures are given below for the zones compared in the previous issue, and give the average for all the allotments in the municipalities concerned, whether built upon or not.

Rates Falling on Land Value Under U.L.V. and A.V. Rating

Item	Zone 4	Zone 5	Zone 6
U.L.V. Rate on Land	£5 13 0	£4 11 0	£4 0 0
A.V. Rate on Land	£1 8 0	£1 5 0	£1 3 6
Difference in Rate	£4 7 0	£3 6 0	£3 5 6
Reduction in Price (Difference Capitalised)	£97 0 0	£66 0 0	£66 0 0

These reductions in the price of land are considerable and are compared in the following table with the prices which would prevail if these municipalities reverted to the Annual Value system.

Price of Land in U.L.V. Rating Municipalities

The figures below give the average price of land without regard to any improvements in all Melbourne Municipalities of Zones 4, 5 and 6 for the year 1939 over all lots.

Municipality	Actual Price Per Lot	Reduction Due to U.L.V. Rating	Price Under Annual Value Rating
	£	£	£
Brunswick	204	92	297
Essendon	236	81	297
Camberwell	290	64	294
Gaithfield	272	76	248
Colony	164	61	215
Oakleigh	153	53	205
Sundringham	204	69	263

The reduction in price of sites in these municipalities is considerable and has a great deal to do with the higher building figures in these districts compared with the corresponding districts still rating

annual values. The benefit of these lower prices has been received by some 44,000 new ratepayers who bought blocks since 1921. This reduction in price of sites would be almost doubled if the Melbourne & Metropolitan Board of Works were to rate upon land values also.

It should be remembered that the reduction in the price of home sites was only half of the effect which followed adoption of land value rating in these districts. This effect was directly to the advantage of those seeking home sites. There was another very important effect upon the value of the property of those who already owned homes in these districts. The value of their homes was immediately and substantially increased by the change.

The burden of the rates under the Annual Value system fell mainly upon the improvements and only slightly upon the land value. With adoption of U.L.V. Rating the rates fell only on the land value. This meant that the value of the existing homes was increased by the capitalised saving in the rates on improvements.

Increase in Value of Building Due to U.L.V. Rating

Item	Zone 4	Zone 5	Zone 6
Rates on Improvements (Under A.V. System)	£4 11 0	£5 1 0	£4 4 0
Rates on Improvements (Under U.L.V. System)	Nil	Nil	Nil
Difference	£4 11 0	£5 1 0	£4 4 0
Capitalised Difference (Additions to Value of House)	£91	£101	£84

This increase in value of homes applied only to those existing at the time of change to land value rating. All the new dwelling construction was effected at the new equilibrium.

Home owners at the time of the change had the value of their assets in land value reduced, but the value of their assets in buildings increased by a greater amount. The value of their total assets was, therefore, increased by the change.

Thus, in addition to the annual saving in rates upon buildings which in many cases would meet necessary maintenance charges on the properties, those that owned buildings at the time U.L.V. rating was adopted have had the sale value of their total assets increased. On the other hand, the owner of vacant land, having no improvements upon it, has not had any offset to the reduction in land values.

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