

LAND VALUES RESEARCH GROUP

For the collection, analysis and distribution of information upon the incidence and effects of public charges imposed upon land tenures.

Shire of Rosedale

A Study of the Differences in the Incidence of Rating Upon the Unimproved Value of the Land and Upon the Annual Rental Value Basis Respectively in Rural Areas.

This study covers all properties, whatever their state of development may be, in a large area comprising 8,659 acres in the Glengarry district of the Shire of Rosedale. The area studied is outside the township area. Rosedale rates upon the unimproved land value basis, the rate being very low, at 1½d. in the £ of unimproved land value, which corresponds to 14.6d. in the £ on the annual rental value basis. In township areas within the Shire there is an extra rate of 3d. in the £ of unimproved value.

Influence of the Rate in the £

The actual amount of the rate in the £ imposed does not have any influence in the following table, so far as the incidence under either system is concerned. Doubling the rate in the £ would merely double all rates quoted in the table, leaving the relative position unaffected. In consequence, this study serves as a general guide to the incidence of the two rating systems in other rural districts, irrespective of their actual rate in the £.

The Method of Classification Adopted

All properties have been classified in Table No. 1 in the order of their degree of economic development of the holding. That is, the ratio which the value of the improvements upon the holding bears to the unimproved value of the land itself. This ratio ranged from 2.20 for the most improved property down to 0.50 for the least improved property.

In this table the rates payable under either system are shown for each property, and the margin of benefit is also shown. This latter figure is shown both in terms of cash saving and as percentage by which the rates would be increased under the other system.

Well Improved Farms are Benefited by L.V. Rating

In considering Table No. 1, it should be noted that all farms above the dividing line benefit in rates under land value rating. The dividing line is the average degree of development of the Shire, which was 1.05. A farm having this average value would pay the same rates under either system.

While all farms above the dividing line benefit under land value rating, the table shows that the greater the degree of improvement, the greater is the benefit. Land value rating, therefore, acts to encourage the development of holdings to the maximum extent and, in so doing, adds to the attractiveness and prosperity of the district as a whole.

Improvement of Farms is Penalised by Annual Value Rating

All properties below the dividing line would be favored by a change to the annual value rating system. These properties are seen to be the least improved and the worst assets for the district. The less improved they are, the greater would the annual value system benefit them. Thus annual value rating penalises and discourages improvement of holdings. In this its effect is diametrically opposed to that of land value rating.

The penalising effect is very well seen in the case of assessment No. 2090 in the table. At the time of the valuation this farm would have been favored by the annual value system. At the time, it had on it an old house valued at only £100. This house has since been replaced by a new, modern house valued at £500.

The replacement of the old dilapidated house did not bring an increase in rates under the land value rating system. Under the annual value rating the rates would have increased by £1/4/4 (14 per cent.) as the direct result of this improvement. It is evident that, whatever the capacity for payment of rates by this farmer may have been before, the rebuilding of his house would not add to his income or his ability to pay increased rates. The outlay of £500 to build the new house would deplete his cash reserves, leaving this ratepayer less able to afford increased rates than before. The municipal services provided are the same, whether the house is old or new. The A.V. Rating, therefore, imposes differential rates for the same service.

Municipal Revenue Potentially Greater Under L.V. Rating

The factor limiting potential rate revenue for any district is the annual rental value of the district. This depends directly upon the "improved" value of the district. Thus, the more improvements are made, the sounder does the rate position of any district become. Improvements are penalised by A.V. Rating and encouraged by Land Value Rating. It might be noted that in four of the 22 properties studied, the improvements have been increased since the valuation was made.

A Weakness of Annual Value Rating

A serious weakness of annual value rating is seen from a comparison of holdings 2022 and 2023. These are both held and operated by the same owner. The

"ability to pay" is thus the same in each case. One property is highly improved and its rates would be increased by 57% under annual value rating. The other has no buildings at all, being merely used for grazing. The municipal services supplied to both properties are approximately the same, yet the undeveloped one would benefit under annual value rating, while the improved holding would be penalised. The rates, under this system, would bear no relation to the value of the services rendered by the Shire for which rates are due. A similar case is seen in holdings 2336 and 2337, which are under the same ownership.

Types of Improvements in Rural Areas

Many people have an erroneous impression that farms, which have few buildings upon them compared to similar areas in townships, must pay more under land value than under annual value rating. This impression arises from failure to realise that buildings are only one form of improvement, and that in rural areas the other forms often outweigh the value in buildings.

Table No. 2 below is particularly valuable in dissecting the component items which make up the value of improvements shown in Table No. 1. It will be seen that these improvements, other than buildings, comprise: clearing, fencing, sowing down in pastures, cultivation, machinery, dams, wells, windmills, drains, plantations, fowl-pens, styes and stockyards, in the properties reviewed. Clearing and fencing, which are insignificant items in the improved value of the much smaller town allotments, become very considerable items in farm properties, particularly compared with the much lower price of rural land per acre.

Table No. 2

Assessment	Nature of Improvements shown in Table No. 1
2022	Fencing, £160; clearing, £480; sown down, £90; cultivation, £90; mill, well and dam, £100; house, £550; building, £260.
1908	Fencing, £400; clearing, £865; sown down, £135; cultivation, £180; dams (2), £60; topdressing, £100; gates, £40; house, £200; buildings, £110.
1851	House and building, £640; fencing, clearing, sown down, £1210.
1997	House and building, £650; fencing, £830; clearing, £1800; sown down, £250; cultivation, £190; mill, well and dams (2) and plantation, £410.
1873	House, £360; clearing, fencing, garage, dam, barn, etc., £532. More buildings have been added since this valuation.
2102 & 1868	Fencing, £1450; clearing, £8060; sown down, £140; cultivation, £220; dam, mill,

	well and yards, £320; house, £1560; other buildings, £1190.
2336	Fencing, £300; clearing, £984; sown down, £116; cultivation, £100; house, £900; other buildings, £120.
2105	Fencing, £215; clearing, £1320; mill and wells (2), yards, £130; house, £550; other buildings, £20.
1896	Fencing, £240; clearing, £748; sown down, £140; cultivation, £180; drain, £20; well, mill and dam, £100; house, £400; buildings, £212.
1894	Fencing, £250; clearing, £670; sown down, £60; cultivation, £85; well and mill, £120; house, £300; building, £175.
1991	Fencing, £210; clearing, £654; sown down, £54; cultivation, £112; drains, £120; house, £400; outbuildings, £210.
2118	Fencing, £200; clearing, £654; sown down, £60; cultivation, £138; drains, £40; dam, £30; house, £150; buildings, £50.
2035	Fencing, £200; clearing, £360; sown down, £90; cultivation, £100; dams (2), £40; house, £320; sheds (3), £160.
2098	Fencing, £500; clearing, £955; sown down, £70; cultivation, £210; 5 dams, £100; house, £250; buildings (2), £110.
2249	Fencing, £220; clearing, £1400; sown down, £60; cultivation, £60; drain, £20; house and buildings, £620.
2090	Fencing, £250; clearing, £500; sown down, £100; cultivation, £120; dams, £120; sheds, £200; old house, £100. (Note: A new, modern house has been built since this assessment with value of £500 and garage £20, and fowl pens £10.)
2101	Fencing, £180; clearing, £546; dam, £30.
2023	Fencing, £90; clearing, £480; dam, £40.
2337	Fencing, £130; clearing, £800; dam, £40.
2019	Fencing, £70; clearing, £630; dam, £30.
1870	Fencing, £150; clearing, £1080; cultivation, £18; drain, £200; yards, £20; hut, £20.
2220	Fencing, £120; clearing, £2070.

It may be noted that the highly improved farming properties would be penalised by the annual rental value rating to a greater extent than are the poorly improved properties by the unimproved land value rating. In the extreme cases in this study, the highest improved property would be penalised under annual value rating by a 57% increase in its rates, while the least improved property in the table pays only 37% more rates under the unimproved than the annual value system.

October, 1944.

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A Study of the Incidence of Municipal Rates in Rural Areas Under the Systems of Rating on Unimproved Land Value and Annual Rental Value Respectively in the Shire of Rosedale, District of Glengarry.

The values quoted in the table are those of the last general valuation at 14.9.1938. The rate in the £ on unimproved land value is 1½d. in the £ and the equivalent rate in the £ on the annual rental value is 14.6d. in the £.

Assess't No.	Nature of Usage	Buildings	Area Acres	Annual Value	Land Value	Impvts. Value	Ratio Impvts. Land Val.	Rates Payable Under		Benefit in Rates Under		
								U.L.V.	N.A.V.	U.L.V.	N.A.V.	By Per Cent.
2022	Dairying (1) ..	House, Cowshed, Barn, Garage, Dam	160	£ 129	£ 800	£ 1770	2.20	£ s. d. 5 0 0	£ s. d. 7 17 0	£ s. d. 2 17 0	—	(57%)
1908	Fat Lamb Raising	House, Barn, Shed .. .	217	154	976	2090(2)	2.15	6 2 0	9 7 4	3 5 4	—	(53%)
1851	Dairying	House, Barn, Windmill, Tank & Stand	198	135	892	1850	2.07	5 11 6	8 4 3	2 12 9	—	(47%)
1997	Grazing, Fat Lamb	House, Shearing Shed, 2 Windmills	602	327	2402	4130	1.71	15 0 3	19 17 1	4 16 10	—	(32%)
1873	Dairying	House, Cowshed, Styes, Garage	141	71	528	892(2)	1.69	3 6 0	4 6 5	1 0 5	—	(30%)
2102 } 1868 }	Grazing Wool .. . Grazing Wool .. .	House, Garage, Woolshed, Men's Huts, Yards, Mill, Dams	2687	1050	8060	12920	1.60	50 7 6	63 17 6	13 10 0	—	(27%)
2336	Grazing Wool, Fat Lamb (3)	House, Sheds	328	208	1640	2570	1.57	10 5 0	12 13 0	2 8 0	—	(23½%)
2105	Grazing, Wool, Fat Lamb	House, Garage (Note 2) ..	441	189	1544	2235(2)	1.44	9 13 0	11 9 11	1 16 11	—	(19%)
1896	Dairying	House, Barn, Cowshed & Dairy Machines	208	175	1468	2040	1.38	9 3 6	10 12 11	1 9 5	—	(16%)
1894	Dairying	House, Barn, Cowshed, Pig Styes	190	150	1340	1660	1.24	8 7 6	9 2 6	0 15 0	—	(9%)
1991	Dairying	House, Barn, Cowshed & Dairy, Grain Room, Shed	221	159	1420	1760	1.24	8 17 6	9 13 5	0 15 11	—	(9%)
2118	Dairying	House, Cowshed, Yards, Barn	178	120	1080	1320	1.22	6 15 0	7 6 0	0 11 0	—	(8%)
2035	Dairying	House, Cowshed, Dairy, Gran. Machinery	122	119	1096	1270	1.16	6 17 0	7 4 9	0 7 9	—	(6%)
2098	Flax & Agric. Graz. & Wool, Lamb ..	House & 2 Sheds	420	210	2000	2200	1.10	12 10 0	12 15 6	0 5 6	—	(2½%)
2249	Dairy & Pig	House, Barn, Cowshed & 7 Pig Styes	476	238	2380	2380	1.00	14 17 6	14 9 6	—	0 8 0	(3%)
2090	Dairying	Old House, Cowshed, Barn, Gran. (2)	167	145	1504	1390(2)	0.93	9 8 1	8 16 5	—	0 11 8	(6½%)
2101	Grazing	No Buildings	182	79	820	760	0.93	5 2 6	4 16 1	—	0 6 5	(6½%)
2023	Dairying (1)	No Buildings	160	63	640	610	0.95	4 0 0	3 16 7	—	0 3 5	(4½%)
2337	Grazing (3)	No Buildings	270	103	1084	970	0.89	6 15 6	6 5 4	—	0 10 2	(8%)
2019	Grazing	No Buildings	160	90	1084	730	0.70	6 15 6	5 9 6	—	1 6 0	(23½%)
1870	Grazing Sh.	Hut	367	183	2160	1488	0.69	13 10 0	11 2 7	—	2 7 5	(21%)
2220	Grazing	No Buildings	674	327	4340	2190	0.50	27 2 6	19 17 10	—	7 4 8	(37%)

NOTE: (1) Holdings 2022 and 2023 are under same owner and worked together.
(2) Improvements have been added to since the valuation.
(3) Holdings 2336 and 2337 are under the same owner and worked together.