SITE RATING AND URBAN RENEWAL

SOUTH MELBOURNE

In the early 1970s an examination of South Melbourne was undertaken, to examine the effects of the earlier change of rating basis from taxing buildings to rating the site, done in 1965. The subsequent escalation in numbers and value of building permits shows the effect of the change. Below are the figures for the values of the building permits issued during the last nine calendar years of which the earliest two were under the old basis where buildings were taxed. The later seven are under tax-free conditions so far as the local council is concerned.

In this tabulation other new buildings comprises mainly educational, health, recreational and entertainment, religious and municipal buildings. They are generally non-commercial in nature and mostly built from government funds. The high figure for 1965 included $7,284,000 for the National Culture Centre which would be non-recurrent in its nature.

With business buildings the values fluctuate widely from year to year and a better picture of the trends is seen by averaging two successive years. On this basis the last two years of taxed buildings averaged $4,676,000. Compared with this the lowest pair of years since abolition of local taxes on buildings was 1966 and 1967 which averaged $7,225,000, rising to $14,163,000 averaged over the last two years 1970 and 1971.

The lowest pair represents an increase of 55 percent and the most recent pair an increase of 303 percent above the level of building activity met when buildings were taxed.

Figures for the first six months of 1972 showed a further escalation of the scale of building activity, with permits issued to a value of 19,993,000, exceeding last year's record total with half the year to come. So great is this upsurge that South Melbourne outstripped Melbourne City itself so far as value of building activity per acre is concerned, taking account of their difference in size.

Melbourne City covers 7,765 acres, which is 3 1/2 times South Melbourne Citys 2,203 acres. Over these areas Melbournes $31,120,000 in building permits for the half-year works out at $4,007 per acre, compared with South Melbourne Citys $19,993,000, which is $9,075 per acre i.e. more than double. Small wonder that jealous Melbourne City Council sought to have South Melbourne City amalgamated with it which would involve a return to local taxation on its buildings. The more enlightened plan would be for Melbourne City to follow South Melbourne's example by abolishing its own building taxes to stimulate its own scale of building activity. South Melbourne has demonstrated beyond doubt that untaxing-buildings does provide incentive to regenerate problem areas. South Melbourne was full of such blighted areas before the change which produced the modern miracle of a self-regenerated previously run-down city. South Melbournes performance over the period examined was achieved mainly by private enterprise without dependence on government handouts for urban renewal.

Value of building permits issued $000

Year	Buildings taxed	New Dwellings	Commercial new buildings	Other new buildings	Alterations and Additions	Total permits
1971	NO	1,074	16,561	568	275	18,478
1970	NO	664	6,705	2,157	323	9,849
1969	NO	774	13,738	980	273	15,756
1968	NO	1,273	4,315	464	314	6,366
1967	NO	4,274	3,212	776	277	8,539
1966	NO	1,128	3,421	922	440	5,911
1965	NO	218	11,402	7,362	702	19,684
1964	YES	522	1,098	354	566	2,540
1963	YES	124	5,528	736	424	6,812

Public and Private Building

The following figures show the relative content in private and public building activity for each of the nine years.

Year	Buildings taxed	Private buildings $000's	Goverment building $000's	Govt building %	Total building $000's
1971	NO	17,227	1,251	7%	18,478
1970	NO	7,249	2,555	26%	9,849
1969	NO	14,326	1,439	9%	15,765
1968	NO	5,670	696	11%	6,366
1967	NO	4,132	4,407	51%	8,539
1966	NO	3,953	1,958	33%	5,911
1965	NO	12,204	7,284	38%	19,684
1964	YES	1,976	564	22%	2,540
1963	YES	5,638	1,174	17%	6,812

SOUTH MELBOURNE BUILDING BOOM

Effect of Un-Taxing Improvements

It is now more than three years since South Melbourne City Council abandoned local taxes on owners' improvements, and it is appropriate to review its progress. As with other places which have ceased to penalise those making improvements, building permits showed an immediate and sustained upsurge of building.

Apologists for penalising people according to their own outlay on improvements pretend to themselves that it doesn't really make any difference and that whatever development happens would have happened anyway. This notwithstanding that the previous history of achievement for the place concerned almost invariably shows a pattern far below that achieved following the removal of penalties on building. Self-deception is the worst of all types of deception.

In the case of South Melbourne the pattern is as predicted by site value rating advocates. The change dated from the poll in November, 1964, from which buildings became tax-free so far as South Melbourne Council was concerned, though not for the Board of Works rates.

SOUTH MELBOURNE BUILDING PERMITS
Before and After Abolition of Local Taxes on Building
$000's

Type of Property	Buildings Taxed (N.A.V. Basis)		Buildings Tax-Free (U.C.V. Basis)		
	1963	1964	1965	1966	1967
New Dwellings	124	522	218	1,128	4,274
Alterations & Additions to:					
Houses	58	72	154	122	81
Other	366	494	548	318	196
New Factories	1,130	554	1,568	608	1,104
New Office Buildings	2,868	380	8,334	2,017	1,547
New Other Business P.	1,008	154	1,260	603	383
Shops	122	10	—	43	30
Hotels	400	—	240	140	148
Education	38	14	54	—	444
Religious	24	—	—	—	—
Health	652	—	—	896	104
Entertain & Recn.	22	328	24	18	157
Nat. Cultural Centre	—	—	7,284	—	—
Miscellaneous	—	12	—	8	71
TOTALS	6,812	2,540	19,684	5,911	8,539
Above Totals include:					
Government Building	1,174	564	7,480	1,958	4,407
Private Building	5,638	1,976	12,204	3,953	4,132

For the two years preceding the change the total level of building permits of all types averaged $4,676,000 annually. For the three successive calendar years since the change the figures were respectively: 1965, $19,684,000; 1966, $5,911,000; 1967, $8,539,000.

The 1965 figure includes the National Cultural Centre, valued at $7,284,000, which is an abnormal development deductible from the total for comparison of normal building content, leaving the balance for that year as $12,400,000 (more than double the previous level).

It should be noted that the 1963 figure of $6,812,000 included the B.P. multi-storey office building, valued at more than $2,000,000. As there are only three comparable buildings in South Melbourne it will be seen that this total is much above the normal year with buildings taxed; that for 1964 being more typical. The much greater level achieved since buildings became tax-free is due to an increased number of moderately high valued office and factory buildings rather than one or two enormous projects.

The great upsurge of new dwelling construction is mainly flat construction by the Housing Commission, but supplemented by a substantial content of private enterprise redevelopment. The increase in the value of permits for alterations and additions to houses is probably the most significant indicator of the stimulus to improvement even though the money involved is small compared to the outlay in commercial and industrial buildings. The alterations to houses reflects the stimulus of tax-free improvements to normal home owners. Each of the three years since the council ceased taxing improvements in this sector has shown considerably greater level of activity than in either of the two years preceding the change.

A disquieting feature is the revival of the proposal initiated in Melbourne City Council to absorb neighboring municipalities including South Melbourne. This could result in the re-imposition of taxes on improvements in South Melbourne, as Melbourne City Council uses that practice. South Melbourne Council and citizens are opposed to the proposal for amalgamation.

—Reprinted from "Progress," May, 1968.

Further copies obtainable from the General Council for Rating Reform, Box 955 G, Melbourne, 3001, Vic.

SOUTH MELBOURNE BUILDING BOOM

Following Un-taxing of Buildings

It is now seven years since South Melbourne City Council abandoned local taxes on owners' improvements. In May, 1968, we reviewed its spectacular development after three years of un-taxed buildings. The subsequent escalation in numbers and value of building permits has been staggering. Below are the figures for the values of the building permits issued during the last nine calendar years of which the earliest two were under the old basis where buildings were taxed (rated). The later seven are under tax-free conditions so far as the local council is concerned.

Value of Building Permits Issued

Year ended 31st December	New Dwellings	Industrial & Commercial New Buildings	Other New Buildings	Alterations and Additions	Total Building Permits
Buildings Tax-free	$000's	$000's	$000's	$000's	$000's
1971	1,074	16,561	568	275	18,478
1970	664	6,705	2,157	323	9,849
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1967	4,274	3,212	776	277	8,539
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Buildings taxed					
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In this tabulation "Other new buildings" comprises mainly educational, health, recreational and entertainment, religious and municipal buildings. They are generally non-commercial in nature and mostly built from government funds. The high figure for 1965 included $7,284,000 for the National Culture Centre which would be non-recurrent in its nature.

With business buildings the values fluctuate widely from year to year and a better picture of the trends is seen by averaging two successive years. On this basis the last two years of taxed (rated) buildings averaged $4,676,000. Compared with this the lowest pair of years since abolition of local taxes on buildings was 1966 and 1967 which averaged $7,225,000 rising to $14,163,000 averaged over the last two years 1970 and 1971. The lowest pair represents an increase of 55 per cent and the most recent pair an increase of 303 per cent above the level of building activity met when buildings were taxed.

Figures just released for the first six months of 1972 show a further escalation of the scale of building activity, with permits already issued to a value of 19,993,000, exceeding last year's record total with half the year to come. So great is this upsurge that "Cinderella" South Melbourne has now overtaken and outstripped Melbourne City itself so far as value of building activity per acre is concerned, taking account of their difference in size.

Melbourne City covers 7,765 acres, which is 3½ times South Melbourne City's 2,203 acres. Over these areas Melbourne's $31,120,000 in building permits for the half-year works out at $4,007 per acre, compared with South Melbourne City's $19,993,000, which is $9,075 per acre (i.e. more than double). Truly a case of the tail wagging the dog. Small wonder that jealous Melbourne City Council is seeking to have South Melbourne City amalgamated with it (which would involve a return to local taxation on its buildings). The more enlightened plan would be for Melbourne City to follow South Melbourne's example by abolishing its own building taxes to stimulate its own scale of building activity. South Melbourne has demonstrated beyond doubt that untaxing-buildings *does* provide incentive to regenerate problem areas. South Melbourne was full of such before the change which produced the modern miracle of a self-regenerated previously run-down city. Its performance over the last four years has been achieved mainly by private enterprise without dependence on government handouts for urban renewal.

Public and Private Building

The following figures show the relative content in private and public building activity for each of the nine years.

Year	Private Building	Government Building		Total Building
	$ 000's	$ 000's		$ 000's
Buildings Un-taxed				
1971	17,227	1,251	(7%)	18,478
1970	7,294	2,555	(26%)	9,849
1969	14,326	1,439	(9%)	15,765
1968	5,670	696	(11%)	6,366
1967	4,132	4,407	(51%)	8,539
1966	3,953	1,958	(33%)	5,911
1965	12,204	7,284	(38%)	19,684
Buildings taxed				
1964	1,976	564	(22%)	2,540
1963	5,638	1,174	(17%)	6,812

With the exceptions of years 1965 and 1967 (when the National Cultural Centre and the Housing Commission Park Towers project respectively were included) the content of Government building has been fairly constant. The great upsurge in recent building activity is mainly provided by private enterprise — which is a healthy condition.

— A.R.H.

* * *

Reprinted from "Progress" September, 1972
for the General Council for Rating Reform
Box 955G, Melbourne, Vic. 3001

SOUTH SIDE STORY

A tribute to the amazing regeneration of South Melbourne City since shifting municipal taxes from buildings to the sites.

"THE AGE," on Tuesday, December 2, 1969, published a nine-page supplement dealing with the transformation being effected in this city. It appeared under the major heading, "South Side Story," and was paid for by the South Melbourne business community. It covers many different phases of development of which some are reprinted below.

"South Melbourne is like a country in miniature. Within its 2,760 acres you can swing in the heart of a bustling city or slumber in a suburb; you can find shiny computers, fiery foundries or dusty stonemasons; housing that's high-rise and low-rent or high-rent and low-rise — sporting pleasures from fishing to football; gardens of secluded charm in the embrace of some of the busiest traffic arteries in Australia, carrying 40,000 vehicles a day.

A tightly knit population of 30,000 speaking half a dozen languages lives within 1½ miles of the magnificent and massive Town Hall, but the daily influx of office and factory workers is greater than this.

You can pay $15 a square foot for land in St. Kilda Road. But a stone's throw from the State's greatest port you can lease it for a song and use it for storing timber.

In 1969 South Melbourne is developing at a multi-million dollar pace, from the still-building Cultural Centre in the north to a 300 ft. office tower in the south, from a centrally situated chemical laboratory to an architect-designed home on a tiny block between Albert Park and the beach.

REGENERATION

Why is South Melbourne springing to life after a long sleep of half a century?

In a diverse community, there must be a diversity of reasons.

Industrialists speak of the geographical convenience.

To be within a mile of docks, railways, and the central city area yields tremendous savings in transport costs. Commercial businessmen, architects and advertising agents are coming to South Melbourne to enjoy the good working conditions and to escape high city rents. In their train come photographers, draughtsmen, graphic designers, film makers and sound recording studios.

Less easy to understand on the surface is the sudden discovery of South Melbourne as an "in" place to live. Families banished to the outer suburbs by their grandparents at the turn of the century are discovering the pleasure and convenience of being at the centre of things. Dining out, going to the theatre — even going home for lunch, as do some South Melbourne businessmen — no longer involved an hour or so of travel.

Combined with the private enterprise sector is the role of the Housing Commission — traditionally slum clearance but now inevitably and controversially turning towards urban renewal.

In South Melbourne, where old cottages are nearing the end of their economic life, enthusiastic owners are renovating and repairing them — often in their spare time — so that streets that were once doomed to the bulldozer are gay with fresh paint and new tiles.

Resident South Melbournites are proud, patriotic and more city conscious than those who live in most suburbs perhaps because of their running fight to stay separate from Melbourne, perhaps because of the compact size and the need for social and community activities centred round the Town Hall.

For as long as anyone can remember, South Melbourne has harbored people in poor economic circumstances – a higher proportion than in any other city, according to the Director of the Community Chest, Mr. Vic. Taylor. A highly developed network of welfare organisations, both voluntary and council sponsored, look after citizens who are old, sick, lonely or otherwise in want.

In 1969, after a century of local government, it is hard to say whether circumstances have moulded the South Melbourne Council's corporate character as a tough fighter willing to take the State Government to court over the SEC's non-payment of rates with a soft heart for its poorer citizens and an eye to the big chance when someone proposes a multi-million dollar development.

Or it could be that South Melbourne was just lucky in having courageous innovators in the past and the present incumbents are only carrying on the tradition.

Three road bridges lead to South Melbourne across the Yarra from the centre of the metropolis. From King Street (to which South Melbourne unwillingly contributed $300,000) you see a panorama of industry's most famous names on the southern bank of the river — Australian Paper Manufacturers, Mobil, Astor, International Harvester, Australian Iron and Steel.

Away to the left, lining St. Kilda Road, are the Cultural Centre (the moat is in Melbourne, but the rest is in South Melbourne!), Prince Henry's Hospital and a whole string of Government and Defence buildings, including the bluestone Victoria Barracks LHQ during World War II. These are non-paying guests. Only half of the area of South Melbourne is rateable and contributes to the city's annual revenue of about $2 million.

Looking westward from King's Bridge are dockside warehouses with famous names like, Robur Tea, the giant Dunlop factory and the home of Laconia blankets.

Farther downstream some hundred acres of "Siberia," where the shortage of tenure under licence or lease from the Lands Department has not encouraged permanent building. The Council has made successful representations to the Government to grant longer leases and this is encouraging a better class of structure and more intensive use of land, which — thanks to its situation — should be only slightly less valuable than "the golden mile."

Across the old river flats to Emerald Hill, where the Town Hall stands almost in the geographic centre of the city. A few yards west is the 30-storey Park Towers, Australia's newest, tallest and most expensive block of flats Housing Commission projects.

Leading towards Emerald Hill, with the market just beyond it, is Clarendon Street, the traditional shopping centre, looking rather dismantled with new development on either side including a Coles Supermarket on the east.

South of the Town Hall industry gives way generally to commerce and commerce gives way to areas almost entirely residential.

You don't need to hire a helicopter to see how beautifully Melbourne's great architect, Charles Hotham, laid out South Melbourne. From the 30th floor of Park Towers you can trace the symmetrical sweeping curves of little streets surrounding St. Vincent Gardens and St. Vincent Place, and the broad, almost wasteful avenues which offer bonus acres to any redevelopment scheme that keeps an eye on the land values.

Albert Road, rivalling St. Kilda Road, in grandeur, swings round the north end of the yacht-studded Albert Park Lake to join Kerferd Road and on to the beach. Here members of the Albert Park Yachting and Angling Club set out in their 15-footers and bring in schnapper by the ton (they have figures to prove it!) and life saving clubs have their headquarters in two pavilions.

The little St. Kilda railway line, which takes only nine minutes from terminus to terminal, serves the shopping centres of Albert Park and Middle Park in a wholly suburban atmosphere except for the high-rise flats along the beach front.

The northern half of Albert Park — 462 acres of it — is in South Melbourne. Three South Melbourne Councillors serve on the management committee and the council provides an annual grant towards this wonderful recreation area which has, among other things, the world's second biggest table tennis centre, to say nothing of two cricket grounds and two restaurants and facilities for a score of different sports.

Travelling eastward along Albert Road is moving into the area of greatest commercial development, pioneered by the BP Building and to be followed by the Australian Mutual Provident Society and many others.

TraveLodge, opened a few weeks ago, is the latest of the hotels and motels that provide world-class accommodation along Queen's Road overlooking the lake and the bay and that adjoining, enticing city of St. Kilda."

"GOOD RATING"

The writer of the above article asks why is South Melbourne springing to life after a long sleep of half a century? His observations do not answer that question though they do contain clues that point to the removal of local taxes from buildings and other improvements as the reason for the sudden upsurge of regeneration within the city. The reversal of the previous trend to decadence coincided with the change to rate the site value only and un-tax the improvements and this dates from the end of 1964. Recognition of the part played by the change in rating system is given in a later section of the supplement under the heading, "Good Rating," which says:

"South Melbourne's low rates compared with higher municipal charges in the City of Melbourne are one of the reasons for the boom in building south of the Yarra.

Another reason is that South Melbourne Council's rates are levied on the unimproved capital value of the land; that is, the cost of the buildings is not taken into account in calculating the rate."

SOARING TOWERS AND SITE VALUES

"With the soaring of new office blocks south of the Yarra — or rather preceding them, as men of vision saw the potentialities of the area — have come soaring land values.

This is particularly true of the area between St. Kilda Road and Albert Road, which forms a sweeping arc around Albert Park.

It is in this area that the new towers of South Melbourne have risen, and where more are rising.

The BP Building, a city landmark, was the first of them. Many impressive buildings have followed.

There is a new TraveLodge on a site within walking distance of the business and entertainment centre of the City of Melbourne, the A.M.P. Building, King's Gate in Albert Road.

As these major developments have changed the skyline the values of neighboring land have changed proportionately.

The City Valuer, Mr. L. Crouch, said the land values in South Melbourne are rising so rapidly that the area could be described as the "hottest property district south of the Yarra."

Mr. Crouch said surveys of actual sales during the past four years showed that, in the residential areas of South Melbourne, land values rose from 15 per cent to 20 per cent between 1965 and 1969.

In industrial areas to the north of the city he said the average value of land had risen from $4.50 per sq. ft. in 1965 to $5.50 in 1969, an increase of nearly 33 per cent.

In the Albert Road area between the Kingsway and Moray Street values have trebled in the past four years to $9 per sq. ft. Mr. Crouch said the best property appreciations were in Albert Road between the Kingsway and Park Street corner site of the new TraveLodge opened a few weeks ago.

In 1965 the land was selling at $7 per sq. ft. and the most recent sales have been at $14. Estate agents believe that this land is now worth $15 per sq. ft.

Typical of the prestige buildings planned for Albert Road is the new $1.15 million, 10-storey office block being erected by the A.M.P. Society at 24-26 Albert Road, South Melbourne.

This reinforced concrete building will be set back about 15 feet from Albert Road, with provision for garden area in front of the building.

The new premises will have three lifts controlled by computer, servicing all floors, and will be fully air-conditioned."

(As industrial and commercial land values are rising faster than residential land values rate contributions of homes are decreasing as a proportion of the total rate revenue).

Reprinted from "Progress"

FEBRUARY, 1970

HOW SITE-VALUE RATING WILL AFFECT SOUTH MELBOURNE

A SURVEY MADE BY THE LAND VALUES RESEARCH GROUP

FOREWORD TO

CITIZENS OF SOUTH MELBOURNE

THE REFERENDUM TO CHANGE THE COUNCIL RATING SYSTEM CONCERNS YOU . . .

Whether houseowner or tenant paying rent

Your YES Vote for the U.C.V. system

- Will give municipal justice in rate sharing between you and your neighbours;
- Will reduce rates on houses (see the map on the back cover of this report);
- Will cause development of land now held vacant by speculators;
- Will encourage every houseowner to improve and beautify his property in full confidence that under the new U.C.V. system of rating he will *not* attract HIGHER RATES;
- Will bring increased business to shopkeepers whose rates will not vary much (see map for your location), and again IMPROVEMENTS will not be penalised by higher rating;

THEREFORE

EVERYBODY living in areas coloured BLUE or GREEN on the map should vote for more equitable rating — with a sharp fall in house rates giving up to 50% saving for small properties — by VOTING "YES" FOR THE ABOLITION OF N.A.V. and the ADOPTION OF U.C.V.

READ THIS REPORT giving the findings of the Research Group. IT MEANS MONEY TO YOU to change over to U.C.V.

SOUTH MELBOURNE RATEPAYERS' ASSOCIATION

Llewelyn Elliott, B.A., Th.L.,
President.

This survey commenced with the limited objective of testing whether municipal rates upon ordinary homes in South Melbourne would be substantially reduced if the basis were changed from Net Annual Value to the Unimproved Capital Value of the land alone.

Change from rating the "improved" (N.A.V.) to the "unimproved" land value (U.C.V.) basis was pressed for by ratepayers' organizations following heavy increases in rates payable upon residential properties after revaluation. The change was sought in the belief that burdens upon residential properties would be reduced as compared with other properties.

South Melbourne City comprises five wards of which the Fawkner and Normanby are almost exclusively industrial. The Canterbury, Beaconsfield and Queens Wards are predominantly residential, the last containing the valuable section between St. Kilda Road and Albert Park Lake. The two business wards contain only 15% of the total assessments but provide 48% of the total rate revenue.

The important question to clarify by survey was whether the contribution of the industrial and commercial sites would be reduced or increased relatively to residential properties.

To check this it was not necessary to have a full valuation of the unimproved land value for the municipality. All that was needed was to take sufficient representative samples of the various types of property and find out what proportion their Improved Net Annual Value bears to their Unimproved Capital Value. These percentages were to be found for industrial, commercial, ordinary residential, the St. Kilda-Queens Road areas, and for vacant land respectively.

The groups showing the highest percentage of N.A.V. to U.C.V. would benefit as groups under U.C.V. at the expense of those with lower percentages. The groups with lowest percentages would contribute increased rates and those with the higher percentages would pay less under that change. Between the upper and lower limit percentages would lie the average for the city as a whole, at which figure rate payments would be the same under either system.

The Missing Key

For this check it was necessary to find the unimproved value of the properties in the samples. Unimproved land values per square foot or frontage-foot for the various streets and sections of the municipality were established by consultation with external and the South Melbourne City Valuers.

Checks Made

The checks were made for complete crown sections, blocks of buildings, or widely representative streets. For each section or property the Council's current figure for net annual value was divided by the estimated unimproved land value. This fraction was multiplied by 100 to express the net annual value as a percentage of the unimproved land value. These percentages were averaged for the groups.

Results of the pilot survey are summarized as follows:

Classes of Property	"Improved" (N.A.Value) as Percentage of "Unimproved" land value
Vacant Land	2.8%
Industrial Sites	
19 Sections Normanby Ward	4.3%
18 Sections Fawkner Ward	6.2%
Clarendon Street Shop Sites	
(Between York and Park Streets)	
97 Properties	7.2%
St. Kilda Road & Queen's Road	
Flats and Offices	
(Crown Sections N to U)	6.7%
Ordinary Residential	
(Richardson Street)	
99 homes Bridport to Kerferd Road	9.8%
230 homes Kerferd to Fraser Street	9.5%

What These Proportions Showed:

The ordinary homes in Canterbury and Beaconsfield Wards (of which Richardson Street is typical) had the highest improvement percentage of all groups. It could therefore be concluded, even at this stage, that homes in South Melbourne would benefit in lower rate payments under unimproved value rating at the expense of other types of property. The magnitude of gain could not be finally determined at this stage, being dependent upon the average percentage over all sections of the city. Inspection of the figures above suggested this average would lie between 6½ and 7. Under these conditions the residential properties would average a 50% cut in rates, mainly at the expense of industrial sites as a group, these being the least improved.

Although industrial sections on average would pay more in rates, individual well-improved industrial properties within these sections would gain reductions. Field inspection showed that there were many valuable industrial sites within these areas which were underdeveloped with improvements of negligible value.

Clarendon Street shopping centre would contribute about the same in total as now with some properties paying more and some less. The least improved would pay more and the better improved less.

RATES UPON TYPICAL HOUSES

Canterbury Ward

This study covered each individual home in a typical residential street. The street chosen was Richardson Street. This runs the full length of the City from its boundary with Port Melbourne to that with St. Kilda. It is typical of a series of parallel and transverse streets in the Beaconsfield and Canterbury Wards which are predominantly residential in type. It contains 329 homes which is a very large sample. The part north of Kerferd Road is of lower land value than that to the south owing to its higher proportion of decadent properties.

The Net Annual (Improved) Value for each property was calculated as a percentage of the Unimproved Capital Value of the land. This last figure was obtained by multiplying the frontage by the unit land value per foot of frontage.

Group Results

In this street there are 99 homes West of Kerferd Road and 230 East of it. For both groups the percentage of N.A.V. to U.C.V. was almost identical at 9.8% and 9.5% respectively. As the average percentage for the whole City was about 6.5% (though the decimal was not final at this stage of our survey) it is clear that homes in this street will benefit greatly in lower rates under the unimproved land value rating basis (U.C.V.). So also will those in other streets of which this is typical.

Individual Homes

Where the percentage of N.A.V. to U.C.V. of the individual homes exceeds 7%, properties in South Melbourne will pay lower rates under the U.C.V. rating basis. Those with percentages between 6% and 7% are border line cases which may go up or down a little but will not be greatly different to present rating. Those with percentages less than 6% will carry higher rates under U.C.V. than under the present N.A.V.

Applying this test to the individual homes, we find that in Richardson Street they would fare as follows:

280 homes would pay **lower** rates under U.C.V.
31 homes would pay about the **same** rates under U.C.V.
18 homes would pay **higher** rates under U.C.V.

The proportion paying less under U.C.V. as shown above is 85%.

Small and Large Frontages

Further examination of the properties in this typical street leads to more generally useful conclusions. Of the total 329 properties 184 are of 16′ 6″ frontage while 77 are 33′ with the rest of various odd frontages. The field check showed the averages for these were:

	16½′ Frontage	33′ Frontage
North of Kerferd Road		
No. of Homes	52	22
Average N.A.V.	£109.3	£163.4
Average U.C.V.	£990	£1980
Avge. % N.A.V.:U.C.V.	11.0%	8.2%
South of Kerferd Road		
No. of Homes	132	55
Average N.A.V.	£121.3	£201.1
Average U.C.V.	£1320	£2640
Avge. % N.A.V.:U.C.V.	9.2%	7.6%

These figures are used in later comparisons with residential, business and commercial properties.

A further check was made covering all homes in two complete crown sections 43E and 43F. These are in the area bounded by Kerferd Road, Page Street, Mills Street and Hambleton Street. Within these bounds are substantial parts of Boyd, Erskine, Neville and Richardson Streets. Except two shops, one small factory and a vacant lot, the properties are single-storey homes of which there are a total of 179.

The land value was found for each of these properties and also the percentage which the present rated Net Annual Value bears to the land value. The progressive check showed that the average percentage of Net Annual Value to Unimproved Land Value over the whole city would lie between the limits of 6.0% and 7.0%, probably in the region of 6.5%.

Homes with percentages of 7.0 or higher will definitely pay lower rates under the change to unimproved land value basis. Those with percentages between 6.0 and 6.9 will pay about the same under either system. Those where the percentage is below 6.0 will pay more under the unimproved land value basis. The magnitude of saving depends upon the extent this figure is above or below the average in the individual case.

Applying these tests the summarized results for the whole area are:

Nos. of Houses with **lower** rates under unimproved value	=	129	(72%)
Nos. of Houses with **same** rates under unimproved value	=	25	(14%)
Nos. of Houses with **higher** rates under unimproved value	=	25	(14%)
Total	=	179	(100%)

The overwhelming proportion of homes in this area will benefit under the U.C.V. basis. They are the homes in average or better-than-average repair and condition. The few that would not so benefit are in relatively poor or substandard condition or of larger than normal frontage.

Beaconsfield Ward

The same tests were applied in the following check covering sample residential areas in the Beaconsfield Ward. Here the following table summarizes the position for residential properties under change to rating on the unimproved land value basis:

Street	Would Gain Nos.	Would Break Even Nos.	Would Lose Nos.	Totals Nos.
Cardigan Place (Nos. 1—67)	28 (79%)	4 (12%)	3 (9%)	35 (100%)
Brook Street (Nos. 2—84)	33 (97%)	— —	1 (3%)	34 (100%)
Nelson Road (Nos. 137—197)	21 (73%)	3 (10%)	5 (17%)	29 (100%)
St. Vincent Place (Nos. 53—99, 46—94)	32 (80%)	2 (5%)	6 (15%)	40 (100%)
Total Residences	106 (84%)	8 (6%)	13 (10%)	127 (100%)

The above total excludes 10 shops combined with dwellings and a bank in Cardigan Place. Of these 8 would gain, 1 break even and 2 would lose under the unimproved value basis.

A substantial majority (84%) of houses (as well as the combined shops and residences in Cardigan Place) would benefit by the adoption of site value rating. It is noteworthy that this applies also to Brook Street, which is an inferior street with rather poorly developed properties—the lower land values are relevant here.

Average values for the various streets are as follows:—

Street	"Improved" N.A.V. £	"Unimproved" U.C.V. £	Percentage Ratio N.A.V.:U.C.V.
Cardigan Place, houses (Nos. 1—45)	230	1,606	14.4%
Cardigan Place, shops with residences combined (Nos. 47—67) ..	150	1,850	8.3%
Brook Street	73	580	12.6%
Nelson Road	125	1,549	8.0%
St. Vincent Place	225	2,382	9.4%

Houses in Cardigan Place and Brook Street would in general gain substantially, with rates cut by 50%, while houses in St. Vincent Place and the combined shops and residences would gain about a 25% cut in rates, although of course individual properties will show considerable variations.

These streets are a typical cross-section of residential streets in the Beaconsfield Ward where approximately 80% of the homes would gain rate reductions under the change to the site-value rating basis.

OVERALL CITY VALUATION

As indicated previously our survey initially had a limited objective of a check of some representative crown sections in residential, commercial and industrial areas rather than a complete coverage of the city as a whole. However, after the initial check the process of finding the unimproved and net annual values of crown sections was continued till the whole city was covered.

The valuations for the various wards worked out as follows:

Ward	Unimproved Value (land only) £	Net Annual Value (land plus impvts.) £	N.A.V. x 100 / U.C.V.
Fawkner	14,183,602	925,651	6.52%
Normanby	9,988,047	514,320	5.14%
Queens	10,018,215	623,522	6.22%
Canterbury	5,930,330	550,807	9.28%
Beaconsfield	5,738,825	426,598	7.43%
Whole City	45,859,019	3,040,898	6.63%

Comparing the final figure of the percentage which the N.A.V. bears to the U.C.V. with that foreshadowed based on results for the cross-section, gives a check upon the method and preliminary conclusions given there.

The initial check suggested that the percentage which the N.A.V. of the whole city would bear to its unimproved value would be somewhere between 6½ and 7%. The actual figure is found to be 6.63%. This is close confirmation of the initial check.

Inspection of the percentages for the wards shows that the Canterbury and Beaconsfield Wards both have a higher percentage of "improved" to "unimproved" value and would pay less rates in total under the unimproved value rating basis. **This is significant because these two wards are predominantly residential in character.**

The Normanby and Fawkner Wards are predominantly industrial and it is at their expense that the residential Wards gain. Queen's Ward is mixed in character but would pay more rates in total with the rate change.

Although individual wards as a whole may pay more or less this is of less interest than the locations which contribute to this general result. These are shown for each crown section on the accompanying map, colored according to whether rates under the unimproved value basis would be less (blue), more (red) or about the same (green) as under the N.A.V. basis. Green sections are those where the percentage figure is between 6.0 and 6.9 since rates will be little different between the systems within this range. Sections shown in blue are those with percentages above 7.0, these benefiting in lower rates under U.C.V. Areas shown red have percentages less than 6.0 and these will pay more under the U.C.V. basis.

Although these categories apply to the crown sections as a whole, there will be some individual properties within those areas with improvements greater or less than the level in the area considered as a block. Thus, within a blue or green colored block there may be vacant land holdings reducing its overall percentage. Or within a red colored section there may be individual properties more highly improved which would benefit in lower rates under U.C.V., notwithstanding that the block as a whole would pay more under that basis.

In every case it is the underdeveloped properties which are the ones paying more under U.C.V. and the well-developed properties which would pay less. The residential properties have the most consistently high percentages of N.A.V. to U.C.V. and it will be seen that almost all residential sections in South Melbourne appear on the map as blue, showing that they would pay less under the rate change to U.C.V. The magnitude of their saving would average a cut of about 50% in rates.

FACTORIES OR HOMES ?

Should the average level of rates on homes be less than for industrial and commercial sites of the same area?

The answer "Of course" would be equally given to this question by householder, shopkeeper or industrialist. The only uncertainty would be how much less the rating on homes should be than for these business properties.

The basic reason for expecting business and industrial sites to pay more than residential is not simply one of sympathy with the householder as the "underdog." It is rather recognition, firstly, that areas zoned for industry and business need a higher level of municipal service at greater cost than do residential areas. Secondly, that industrial and business areas benefit from the presence of householders as well as from the higher level of services available to them and the combination gives them far greater earning potential than for residential-zoned properties. Hence it seems plain common sense that business and industrial properties should be expected to plough back into the municipal pool higher rate payments proportionate to their greater potential than for houses.

This greater potential is shown by the difference in land value per sq. foot of the residential compared with industrial-zoned property. This ranges in South Melbourne from 15/- or less per sq. foot for residential to £2/10/- per sq. foot for much of the industrial-zoned part, with peaks in selected locations running up to a maximum of at least £8/0/0 per sq. foot. On these figures it would be reasonable to expect that industrial properties should average at least double the rate payments of an equal area under houses.

Bare citation of this substantial difference between residential and industrial value per square foot should make it obvious that rates based on the "unimproved" value instead of the "improved" value (N.A.V.) will reduce payments in the residential and increase them in the industrial areas as a whole, notwithstanding that there will be individual exceptions. This was confirmed by checks in previous sections, which showed that at least 75% of residential properties would get rate reductions under the unimproved value basis at expense of the industrial wards as a whole.

We accept this common expectation—that the desired municipal rating system should be one which charges less to houses on the average than to industrial sites of similar size —as a criterion of the suitability of the rating system.

We regard it as so important that we have used it as a measuring rod to test the rate payments of individual industrial properties under the two rating systems **comparing the numbers of houses to which their rate payments would be equivalent.**

In earlier sections it was established that typical areas of single-storey residential properties in Richardson and other streets south of Kerferd Road were mainly of 16′ 6″ or 33′ frontages, and listed their values.

We could take either of these as our measuring rods. However, it was considered better to take an average of two 16′ 6″ and one 33′ frontage homes, giving for our standard a home of 22′ frontage by 80′ depth. This is a weighted average taking account of the relative numbers and has been taken as our measuring rod in the following tests. However, for anyone interested to express the comparison for 16′ 6″ or 33′ houses the data for all three sizes is given below:

Item			
Frontage	16′ 6″	22′ 0″ (Stand.)	33′ 0″
Area of site (sq. ft.)	1,320	1,760	2,640
Unimproved Land Value (£)	1,320	1,760	2,640
Net Annual Value (£)	121	148	201

We have classified the 100 largest industrial firms in South Melbourne in order of land value, showing for each the site area in square feet; unimproved land value; and the net annual value. They have been arranged in groups of 20. These are summarized in the first four columns of the table below. The group totals have been divided by the figures for our standard house used as a measuring rod to find how many houses the areas and rate-payments of the industrial properties are equivalent to. The results are compared in the last three columns.

South Melbourne's 100 Largest Industrial Firms

Group Nos.	Total Area (sq. feet)	Un-improved Value £	Improved Value £	Number of Houses Equivalent		
				Site Area= Houses	N.A.V. Rates= Houses	U.C.V. Rates= Houses
1. 1-20	4,895,984	8,255,628	428,511	2,783	2,901	4,877
2. 21-40	1,599,660	3,214,825	222,838	907	1,508	1,898
3. 41-60	1,294,529	2,167,630	110,401	737	748	1,226
4. 61-80	857,815	1,552,240	99,860	463	682	882
5. 81-100	550,630	1,203,200	73,637	312	499	683
Totals (100)	9,198,618	16,393,523	935,247	5,202	6,338	9,566

It is important to understand the meaning of this comparison. For the 100 largest industrial undertakings in South Melbourne the overall area of the sites is 9,198,618 sq. feet. This is equivalent to the area occupied by 5,202 standard houses.

The net annual value for the same industrial properties totals £935,247 which is equivalent to that of 6,338 standard houses. Hence the N.A.V. rates payable are equal to those payable by that number of standard houses. As the rent potential of the industrial sites averages about double that of residential land and the site area is equivalent to 5,202 houses, we should expect these industrial properties to contribute as much in rates as about 10,000 houses. As they only contribute as much as 6,338 houses under N.A.V. their contribution on that basis is less than could reasonably be expected.

The unimproved land value of these industrial properties totals £16,393,523. This works out that the rates payable on them under U.C.V. are equivalent to those payable on that basis by 9,566 standard houses. This agrees closely with what they should be expected to pay in total.

This group of 100 large industrial firms contains 31% of the total net annual value of the municipality. This has led to an unfounded but commonly held belief that the rates on homes would be increased if change was made to unimproved land value basis. Actually, the same industrial firms have 36% of the unimproved land value of the city and would contribute more in total under that basis. Residential properties as a group would gain rate savings at the expense of the industrial firms to an extent which would cover the rates on 3,228 houses.

Although these 100 industrial properties would pay more in total under U.C.V., there are individual firms among them which would save substantially under that basis. These are ones where capital has been invested in buildings adequate to develop the potential of the site. Such are contributing to the prosperity of the city but are being penalized accordingly. The ones which would pay more are those where the potential remains underdeveloped.

The first 20 are very large industrial concerns with land value ranging from a minimum of £207,000 to a maximum of £1,206,000. The last 20 range from £50,000 upwards in land value. Some properties within each of the groups are well-improved while others have negligible improvements.

The relative merits of the rate incidence under the alternative systems can be best judged from the group figures without knowledge of the individual firms concerned. Nevertheless, the contrasting principles governing the rate incidence can be seen by comparing the two concerns most benefited under the respective systems. All others lie between these two extremes.

The one most benefited under U.C.V. is the Vacuum Oil building. This is a new multi-storey building which is unique in the city and a credit to it. Its site area, 21,985 sq. feet, is equivalent to that of 12 standard houses. Under U.C.V. rating it would contribute as much as 100 such houses. Under N.A.V. it pays as much as 507 houses. This colossal impost is not related to any service available from the Council. It is simply proportionate to the firm's own outlay in putting up such a fine building. The excess acts as a fine against development.

The one most benefited under N.A.V. is the John Sharp-Kauri Timber concern. This has 10 holdings totalling 1,058,716 sq. feet, equivalent to 601 standard houses. Under N.A.V. the rates are equivalent to those on only 238 houses. Under U.C.V. they would pay as much as 682 houses. This is clearly more appropriate to the area occupied and services available. In this case the improvements are almost negligible compared with the site value.

BUSINESS PROPERTIES

This same measuring-rod was also applied to the smaller industrial and miscellaneous business properties comparing their payments with those of houses. There are 160 smaller industrial properties covered by the survey, which have been arranged in groups of 20 in decreasing order of land value. These comprise nearly all industrial properties down to the site-area of two standard houses. Garages and service stations have been treated as a separate group on their own. So also have hotels.

There is a very important group of valuable business properties in St. Kilda Road between Dorcas Street and the Lorne Street boundary with St. Kilda. Land values are already very high here—ranging from £2½ to £3 per sq. foot—and will go higher as the area is rapidly being turned into a high class business area with multiple storey offices. There are 57 properties rated here, mostly of 100′ frontage with 250′ depth. Such sites allow plenty of scope for development. There is a similar group of 37 properties in Queens Avenue fronting Albert Park. They contain many high quality flats which are rapidly being occupied by business firms as offices. Both these groups are treated together.

Then there is the main shopping centre in Clarendon Street between York Street and Bridport Street. This has been dealt with as one group, after extracting hotels treated elsewhere. Results for all these groups are summarized in the table below.

Group	Total Area (sq. feet)	Un-improved Value U.C.V. £	Improved Value N.A.V. £	Equivalent Nos. of Houses: Site Area= Houses	N.A.V. Rates= Houses	U.C.V. Rates= Houses
Smaller Industrial Properties						
1. 1-20	469,376	925,788	53,279	261	341	502
2. 21-40	384,482	728,459	42,720	212	308	416
3. 41-60	319,039	606,710	39,919	174	270	330
4. 61-80	233,398	492,340	32,594	133	221	280
5. 81-100	194,440	397,240	33,397	111	222	215
6. 101-120	141,266	314,320	22,209	84	150	179
7. 121-140	125,458	243,540	17,845	69	116	140
8. 141-160	90,892	144,370	10,472	50	71	82
(160) Total	1,958,351	3,852,767	252,435	1,094	1,699	2,144
Garages and Service Stations						
(36) Total	338,872	590,040*	31,252	193	211	335*
Hotels						
(36) Total	168,498	235,680*	82,635	96	558	134*
St. Kilda Rd. and Queens Ave. Properties						
(94) Total	2,280,884	4,904,780	366,206	1,295	2,474	2,786
Clarendon St. Shopping (York to Bridport Sts.)						
(174) Total	287,099	577,360	42,761	163	280	328

*Will be higher as no account taken of corner sites having higher value owing to better access than inner lots.

It is seen that the smaller industrial properties as a whole would pay more under the unimproved land value basis to the extent of the equivalent of the rates on 445 houses. Nevertheless there are many well-improved small firms within the groups which would be relieved of unfair burdens imposed on them because of their extent of improvements.

The business properties in St. Kilda Road and Queen's Avenue as a whole would pay more to the equivalent of the rate payments of 312 standard houses. Again, there are exceptions of very well-developed properties among them which would gain, offset by poorly developed properties which would pay more.

Garages and service stations would pay more as a group while hotels would pay less. For both, the land value rates would be somewhat higher than shown in the table, since we have only reckoned their values per square foot as for adjoining inner lots. These types of property generally occupy corner sites with higher value because of the superior access to several streets.

With the Clarendon Street shopping centre change to the unimproved value basis would make little difference in rates overall. But relatively well-improved business premises would pay less while the poorly developed ones would pay more. There would be a new incentive to modernize in the knowledge that it would not result in increased rates simply because of the operator's own efforts.

As far as householders are concerned, the net change over all the business categories covered by this part would be that the increases on the latter would be equivalent to the rate payments saved on 505 houses. This, combined with the savings of houses achieved at the expense of the large industrial properties covered in the previous section, gives an aggregate relief to householders under the unimproved value basis to the equivalent of the rate payments of 3,733 standard homes.

Nor is this summary complete, for it excludes many substantial holdings of vacant land within the industrial and commercial zoned areas. Although there is very little vacant land within the purely residential Canterbury and Beaconsfield Wards, this does not apply to the other three. There the master plan has rezoned large areas for higher uses and there is progressive demolition of old properties for development. While the object is to sell at high price to genuine users, these holdings remain vacant for a long time during which their N.A.V. rate payments are nominal only. On the other hand their U.C.V. payments will be approximately four times as much. It is surprising to find what an extent of vacant land there is in these highly valued industrial and commercial streets, including Kingsway, Moray Street, Clarendon Street, City Road, Albert Road and St. Kilda Road.

A case study is Moray Street which is a changing-use area zoned as Industrial or Special Use, except for a small part zoned Residential A or B for good quality housing. Excluding the Housing Commission settlement, hotels and garage, the Moray Street sites contain 565,700 sq. feet, equivalent to 322 standard houses. Of this 88,300 sq. feet is vacant land produced by demolition of slum properties. This is equivalent in area to 50 standard home sites. Many of the remaining buildings have little more than demolition value.

Under N.A.V. this street contributes only as much in rates as 274 standard houses despite its great potential value for industry. Under U.C.V. it would contribute as much as 485 houses. Thus, the increase on underdeveloped properties in this street would cover twice over the reductions gained on the Emerald Hill Court Housing Commission dwellings. With the change to business use land values are rising in this area. Under U.C.V. householders in other parts of the city will benefit in lower rates as more of the unearned increment in land value will be ploughed back into city revenue from such developing areas.

The present vacant holdings in these business areas will soon be built upon, especially under the stimulus of site value rating. Their place will be taken by demolition of other old buildings. This process, combined with the appreciation of land values in these areas as new buildings replace the old, will ensure that the savings attainable by South Melbourne homes with change to the unimproved value rating basis will continue to be enjoyed for many years ahead.

EMERALD HILL COURT

HOUSING COMMISSION ESTATE

This project has been described as "the start of a new era in South Melbourne." It has been a tonic to Clarendon Street shopkeepers since it has brought some 600 new customers to their doors where the city had been losing population and dwellings for many years. In the four years 1955-58 inclusive, 366 houses were demolished mainly for industry. By contrast only 38 dwellings were built, all but six being bachelor flats.

The Emerald Hill Court comprises 2½ acres bounded by Dorcas, St. Luke, Coventry and Moray Streets, plus another ½ acre on the opposite side of Dorcas Street. On these sites there were previously 80 dwellings, many of which were sub-standard. The Housing Commission had to pay £152,000 for the land (£50,000 per acre).

The high land cost resulted that rents could only be kept within reach of tenants by multi-storey building. The project comprises one 16-storey block with 120 flats and 11 four-storey blocks of eight flats, i.e., a total of 208 flat dwellings.

The rate treatment on this commendable project for re-development of a blighted area gives a classical illustration of the regressive nature of N.A.V. rating. Immediately before their demolition, the South Melbourne Council and the Board of Works collected £872 yearly in rates from the 80 properties under the N.A.V. basis. Since re-development as a Housing Commission settlement the rates have been raised to a total of £8,385. This averages £40 per dwelling unit.

Services offered by these rating bodies to the sites after completion of re-development were identical with those offered before. **So the Commission (and the tenant in his rent) is charged almost 10 times as much in rates purely because of its outlay of £662,000 on the buildings. Being unrelated to the level of services available, the increased toll taken by N.A.V. rating on re-development is little different from an act of brigandage.**

On the other hand, as the N.A.V. of the Emerald Hill Court settlement at £28,750 is 15.6% of the U.C.V. at £183,000 (allowing 20% rise in value since above actual cost)—the total rates on the dwelling units under U.C.V.

would average £17 compared with £40 (assuming the Board of Works rating system be changed to U.C.V. also). **Adherence to the N.A.V. basis for rating now adds 8/10d. weekly to the economic rent otherwise necessary with the project.**

This is serious since the Housing Commission is intended to cater for low income groups who cannot afford to pay high rents. The excessive rent necessitated by the N.A.V. rating system cuts against the objective of slum abolition. The Commission finds, too, that the more the area is rehabilitated, the greater is the tendency for surrounding uncleared land to rise in value. The Commission is thus faced with bigger financial outlay when purchasing further areas. Site-value rating, however, acts to curb the increase in land price, thus making it easier for both private developers and the Commission to get sites at reasonable prices.

CONCLUSION

Our survey has shown that the N.A.V. rating basis charges South Melbourne householders far more than their fair share of council costs. Change to the unimproved capital value basis would cut the rate bills of approximately 80% of householders by about half. They would also gain fairer treatment between one householder and his neighbour. In the same street relative payments would be according to frontage or area instead of whether the house was well-maintained or neglected, new or old. Householders would gain savings at the expense of the industrial areas as a whole. Nevertheless, well-developed industrial properties would also benefit at the expense of underdeveloped industrial sites. This shifting of the rate burden would penalise none. It would simply call upon those properties who have been paying less than their fair share to pay on the same basis as their neighbours. In this process the poorly-improved holdings being called upon to pay an increased share would enable the well-improved holdings to pay less. The higher payments on under-developed land would make owners more willing to sell to others able to use them. The knowledge that spending of money in making improvements would not be penalized by higher rates would make owners improvement-minded. Accelerated re-development resulting would improve the trade and general prosperity of the commercial area.

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A brochure listing other published studies available for purchase will be supplied on application.

SOUTH MELBOURNE

SHOWING INCIDENCE OF MUNICIPAL RATING SYSTEMS

WHERE DO YOU LIVE ON THIS MAP?

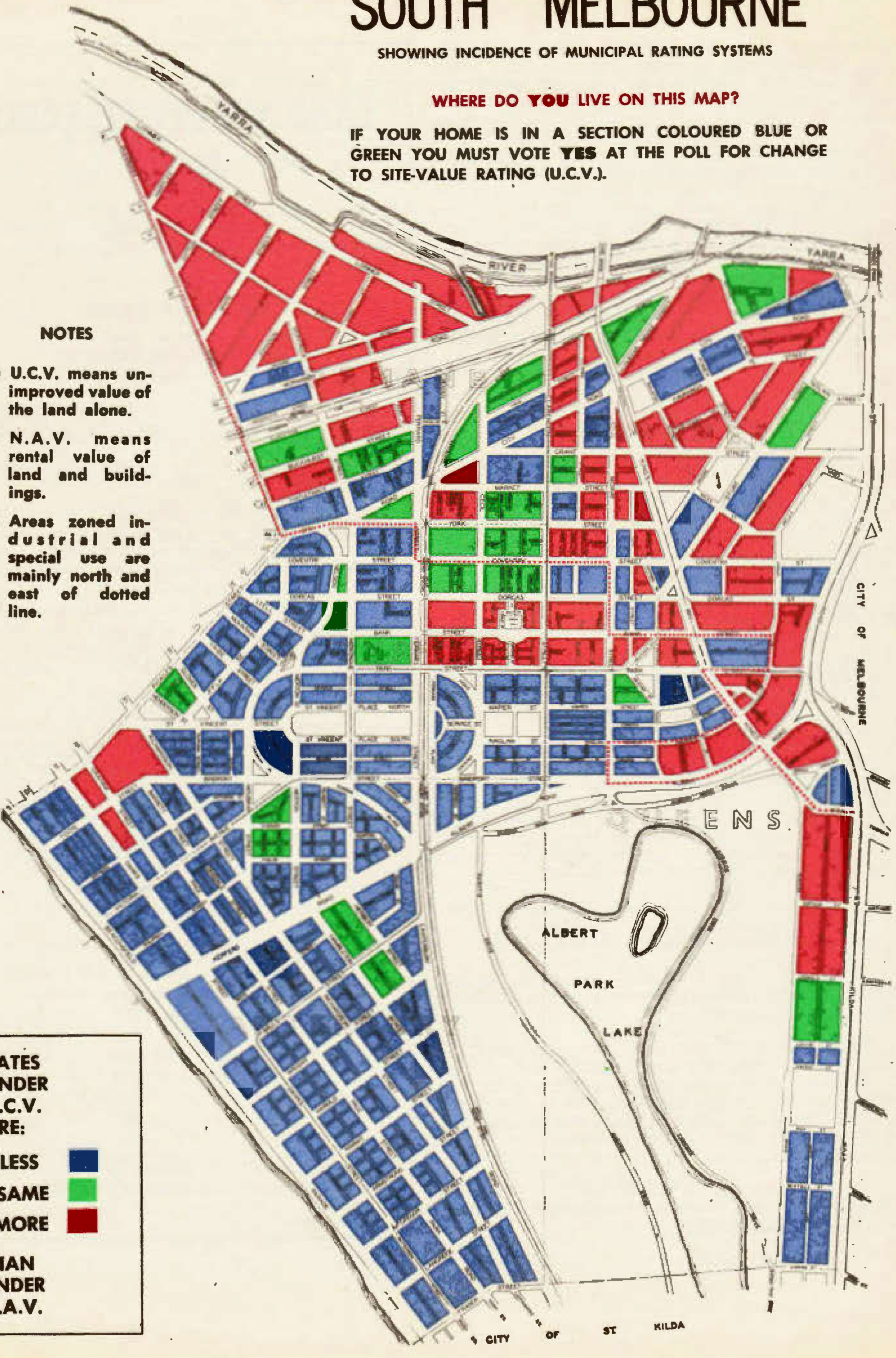
IF YOUR HOME IS IN A SECTION COLOURED BLUE OR GREEN YOU MUST VOTE YES AT THE POLL FOR CHANGE TO SITE-VALUE RATING (U.C.V.).

NOTES

(1) U.C.V. means unimproved value of the land alone.

(2) N.A.V. means rental value of land and buildings.

(3) Areas zoned industrial and special use are mainly north and east of dotted line.



RATES UNDER U.C.V. ARE:

LESS

SAME

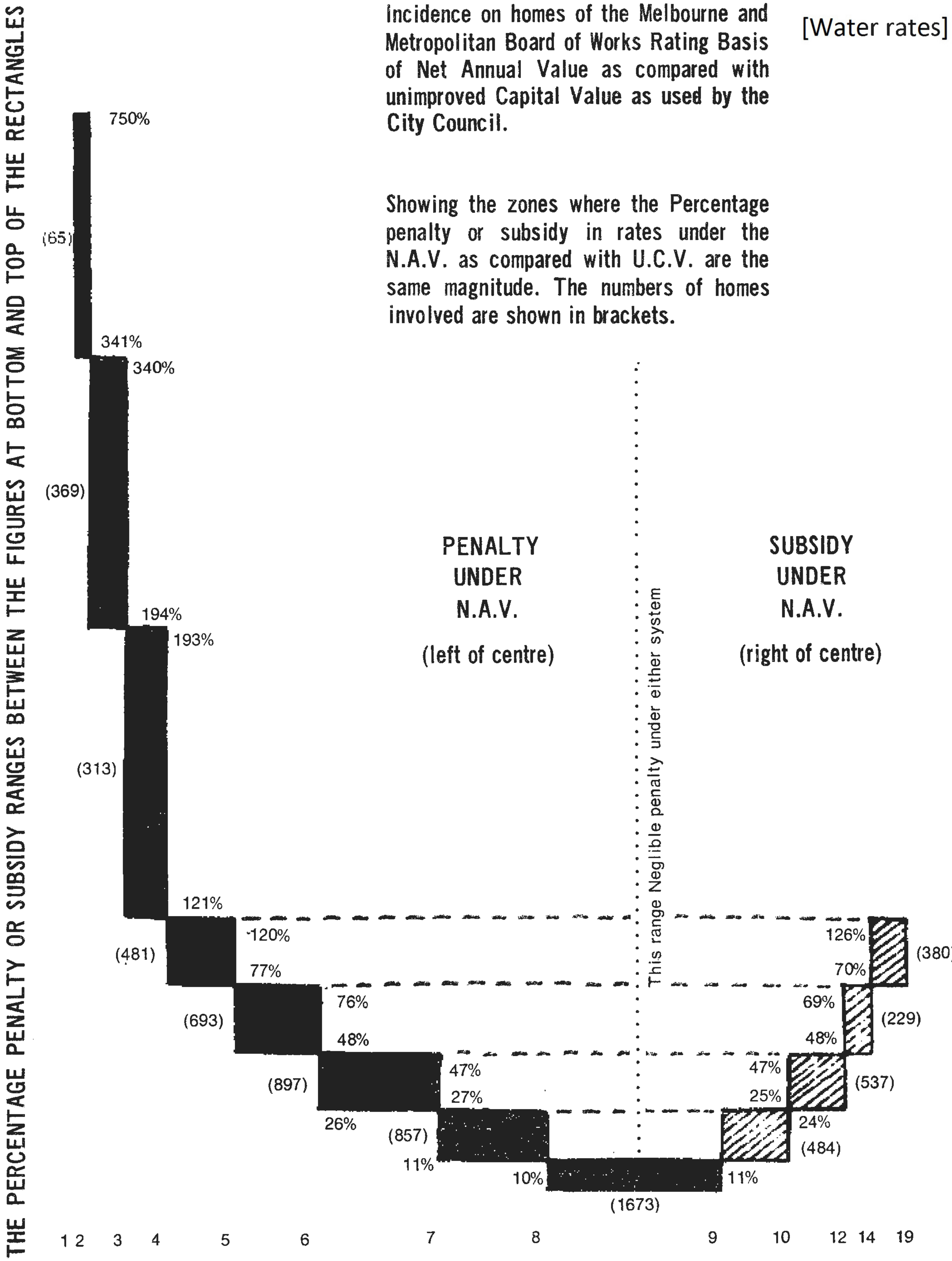
MORE

THAN UNDER N.A.V.

[Water rates]

Incidence on homes of the Melbourne and Metropolitan Board of Works Rating Basis of Net Annual Value as compared with unimproved Capital Value as used by the City Council.

Showing the zones where the Percentage penalty or subsidy in rates under the N.A.V. as compared with U.C.V. are the same magnitude. The numbers of homes involved are shown in brackets.



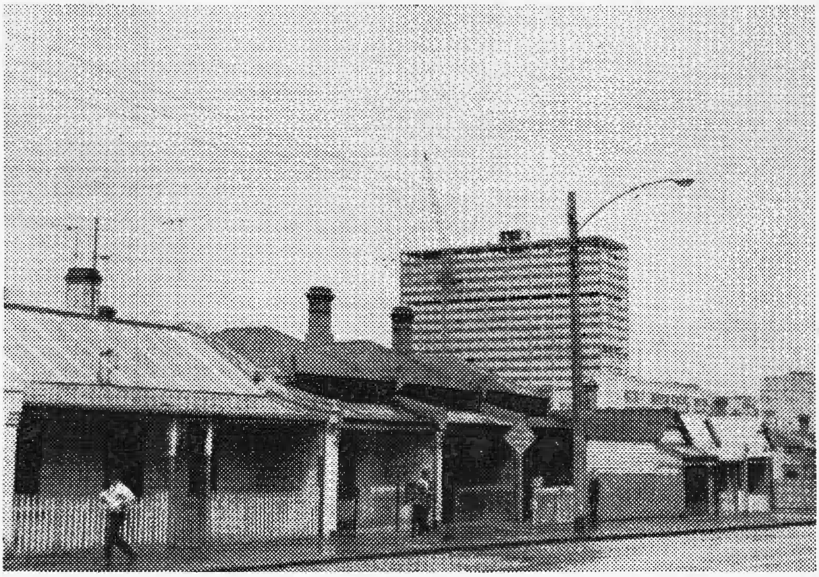
Whole Numbers obtained by dividing U.C.V. by N.A.V. (ignore decimal)

Mainly new properties . . . middle age . . very old mainly

RATES CAN BLIGHT THE PROGRESS OF SLUM RECLAMATION

REDEVELOPMENT of the Emerald Hill area of South Melbourne has produced some extraordinary results not the least of which has been the huge increases of income derived by Local Government and the Melbourne and Metropolitan Board of Works.

In this article Mr. A. R. Hutchinson says the result of the redevelopment is a classic example of the regressive burdens imposed by the rating of improvements on slum reclamation.



Described as the start of a "new era" in South Melbourne the Emerald Hill slum reclamation scheme has been a tonic to Clarendon Street shopkeepers since it has brought some 600 new customers to their doors where the City had been losing population and dwellings for many years.

In the four years 1955-58 inclusive, 366 houses were demolished mainly for industry. By contrast only 38 dwellings were built, all but six being bachelor flats.

The Emerald Hill Court Housing Commission estate comprises 2½ acres bounded by Dorcas, St. Luke, Coventry and Moray Streets, plus another ½ acre on the opposite side of Dorcas Street.

On these sites there were previously 80 dwellings, many of which were sub-standard. It was then a blighted area.

The Housing Commission paid £152,000 for the land (£50,000 per acre).

The high land cost meant that rents could only be kept within reach of tenants by multi-storey building.

The project comprises one 16-storey block with 120 flats and 11 four-storey blocks of eight flats i.e. a total of 208 flat dwellings.

The rate treatment on this commendable project for redevelopment of a blighted area gives a classical illustration of the regressive burdens imposed by the rating of improvements on slum abolition schemes whether undertaken by private or Government instrumentalities.

Immediately before their demolition, the South Melbourne Council and the Board of Works collected £872 yearly in rates from the 80 properties under the Net Annual Value basis rating improvements.

Since re-development as a Housing Commission settlement the rates have been raised to a total of £8,385. This averages £40 per dwelling unit.

SAME SERVICES

Services offered by these rating bodies to the sites **after** completion of re-development were identical with those offered before.

So the Commission (and the tenant in his rent) is charged almost 10 times as much in rates purely because of its outlay of £662,000. Being unrelated to the level of services available, the increased toll taken by N.A.V. rating on redevelopment is little different from an act of brigandage.

On the other hand, as the N.A.V. of the Emerald Hill Court settlement at £28,750 is 15.6% of the U.C.V. (Unimproved Capital Value) at £183,000 (allowing 20% rise in value since above actual cost of site) — the total rates on the dwelling units under U.C.V. would average £17 compared with £40 for Council and Board rates combined.

Thus adherence to the N.A.V. basis for rating now adds 8/10 weekly to the economic rent otherwise necessary with the project.

SUBSIDISED

This is serious since the Housing Commission is intended to cater for low income groups who cannot afford to pay high rents.

The excessive rent necessitated by the N.A.V. rating system works against the objective of slum abolition.

To cover all its costs the Commission's rent charge (including rates) for these flats would require weekly rents of £5/9/- for the 1 bedroom flats. They are actually getting very considerably less than this minimum (being rated on a N.A.V. of £3/0/0 weekly).

The project is not therefore fully self-financing but partly carried by tenants in other estates paying more than actual cost of their accommodation would warrant.

The Housing Commission has pointed out through the Minister (Mr. Thompson) that the tendency is for surrounding land to increase in value and the Housing Commission is then faced with a bigger financial outlay when purchasing further rundown areas.

This is evident in the area surrounding Emerald Hill Court settlement. The Commission bought the rundown area involved at £50,000 per acre (in itself a high figure).

This was approximately £1 per square foot. But to extend its re-development to other rundown areas nearby the Commission would now have to pay between 25% and 50% more than this.

Site-value rating would tend to make nearby owners more ready to sell their slum properties cheaply either to private building interests or the Commission.

It is interesting to record that Moray Street, to which this settlement fronts, was recently found to have 88,300 square feet of vacant land already produced by demolition of slum properties with many of the remaining buildings having little more than demolition value.

This is largely cashing in on the appreciation in land values following the Commission's project.

CONTROL OF FORESHORES

The Minister of Local Government (Mr. Hamer) announced this month that the Town and Country Planning Board would take control of Victorian foreshores which were not already controlled by a planning scheme.

T.C.P.A. welcomes this decision which partly carries into effect the recommendations made by the late Mr. Frank Corrigan, a Vice-President of the Association, who made a complete survey of the coastline and recommended control.

Mr. Corrigan said that the coastline was one of Victoria's most valuable tourist assets and warned against its uncontrolled development by sub-dividers and others.

GENERAL COUNCIL FOR RATING REFORM

ADVOCATING THE RATING OF SITE-VALUES INSTEAD OF IMPROVEMENTS

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Dear Ratepayer,

THE BASIC PRINCIPLE ADOPTED OVERWHELMINGLY BY SOUTH MELBOURNE RATEPAYERS AT THE 1964 POLL WAS THAT IN FUTURE RATES WOULD CEASE TO BE PAYABLE ACCORDING TO THE VALUE OF HIS HOME OR OTHER IMPROVEMENTS ON HIS SITE. INSTEAD HE WOULD ONLY BE RATED IN PROPORTION TO THE VALUE GIVEN TO HIS SITE BY THE COUNCIL AND OTHER PUBLIC IMPROVEMENTS MADE AVAILABLE TO IT.

That principle has operated in South Melbourne for the last sixteen years but would cease under the Council's current proposal which would tax your own improvements through the rating system.

Hence we helped South Melbourne ratepayers to get the necessary signatures to a demand that a poll be taken on a proposal to change back to rating on the site value wholly instead of the Council proposal to change back to N.A.V. wholly. That demand was presented to the Town Clerk on 30th June, 1981. It contained 1941 signatures of which the Council has advised that after checking with the current 1980/81 Voters' Roll it was found that 1227 were valid. This was less than the 1350 said to be needed to force a poll.

For this adequate reason the Council has advised that it has rejected the demand for a poll of ratepayers on a proposal to change to full site value rating.

The position now is that on June 9th the Council gave notice to ratepayers that <u>it is considering a proposal</u> to change its rating basis from a combination of Site Value and Net Annual Value to one using solely Net Annual Value (N.A.V.) It is now decided that it is not prohibited from doing so.

The Council will still have to decide by 10th July, 1982, whether it wants to finally make that change. If not the present combination of N.A.V. and Site Value Rating will continue. Council had invited feed-back from ratepayers to enable it to make an informed final decision at that later stage.

IT IS HERE THAT RATEPAYERS CAN STILL INFLUENCE THE FINAL DECISION BY ASKING THE SITTING COUNCILLORS AND THE NEW CANDIDATES CONTESTING THE ELECTION ON SATURDAY,8TH AUGUST, AS TO WHERE THEY STAND ON THIS CONTINUING ISSUE.

Here are some of the important factors that the Councillors who will make the final decision will need to bear in mind:

(1) That voters generally object to being robbed by rates levied on the values of their <u>own</u> improvements. They accept that Council rates should be levied on the value given to their sites by the municipal and other community improvements made available to them;

(2) The fact that 1941 South Melbourne citizens were so concerned about it that it impelled them to sign a demand for a poll of ratepayers on a proposal directly opposed to that being considered by the Council;

(3) That other citizens are known to have represented to Council their preference for retention of the shandy basis rather than return to the full N.A.V. basis;

(4) That it can reasonably be assumed by Council that with the rejection of their demand for a poll on the full Site Value alternative those included under (2) would prefer to be considered with those in (3) to retain the current composite rate rather than full N.A.V. since "half a loaf is better than no bread."

(5) That the choice of rating basis should not take account only of whether a rate saving is made now under the alternative considered but also whether it will continue. For a high proportion of people whose comparative rate statements show an apparent saving under N.A.V. that saving is a temporary phase only. Some such are people who have made improvements which have not yet reflected in the N.A.V.'S.

Under full site value rating the Council does not use the N.A.V.'s as a basis for its own revenue. Hence it has no vested interest in ensuring that the improvement component of the N.A.V.'s is maximised. Valuation of improvements is more difficult, time consuming and costly than with site values. Many people could find their N.A.V.'s rise faster when their Council depends upon them for its own revenue. This is most likely to happen with older homes than new ones.

HERE ARE TWO SIMPLE TESTS THAT CAN HELP YOU TO JUDGE WHETHER YOUR N.A.V.'S (AND RATES) WOULD RISE:

1. When (if ever) was your home inspected internally by the valuer?

2. Check the figures on your last municipal rate bill. Subtract the figure in the column headed Site-Value from that headed Capital Improved Value. The difference is the valuer's estimate of the value of your improvements. Would insurance up to this sum adequately cover replacement cost if your home was burnt down?

(6) THAT THE INFORMATION GIVEN IN THE COUNCIL'S LETTER TO RATE-PAYERS DATED 9TH JUNE,1981, WAS INCORRECT IN TWO IMPORTANT MATTERS:

First - the majority of the cities in the Metropolitan area use the Site Value and not the N.A.V. as claimed. The numbers are 25 using S.V. wholly or partly to 15 using N.A.V. solely.

Second - The statement that under an N.A.V. basis 20% of all ratepayers will be unaffected is untrue. Almost all of that 20% consists of well improved properties mainly small houses and flats which would pay substantially less under the Site Value system. But they are being robbed of most of that saving by the imposition of a separate minimum rate of $130. The Local Government Act provides that to give a true comparison between rating systems minimum rates are to be excluded. This was not done in the letter and its figures are therefore misleading.

VOTE FOR CANDIDATES WHO SUPPORT SITE VALUE RATING

Yours faithfully,

A.R. HUTCHINSON,
Vice President.

30th July, 1981.