Attachment 1

CITY OF Playford

Rating Policy Review: Commercial Rate Strategy

June 2014

Customer Service Centres & Libraries
Playford Civic Centre
10 Playford Boulevard
Elizabeth SA 5112

Shop 51
Munno Para Shopping City
600 Main North Road
Smithfield SA 5114

Postal Address
City of Playford
12 Bishopstone Road
Davoren Park SA 5113

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Background

Council has interviewed businesses and analysed its level of rates to determine if changes are needed to its commercial rating structure.

There is overwhelming evidence from the business community and independent experts supporting the need to reduce the level of rates. It has been made clear that Council's rates, being substantially higher than all other large metropolitan councils, are holding back investment in our city.

This has proved to outweigh many of the positive reasons to invest in the City of Playford, which include land availability, affordability, population growth and proximity to the Lyell McEwin Hospital, Greater Edinburgh Parks industrial zone, Virginia horticultural zone and the defence precincts.

Based on this feedback, a strategy has been developed proposing a reduction in the commercial rate.

Developing the Strategy

Principles

In developing the strategy, Council has ensured the following principles were adhered to:

- Any new rating policy would remain in line with the principles of taxation.
- Rates would be at a level that is fair and equitable across all ratepayers in the Council area.
- Council's long term finances would remain financially sustainable; and
- Residential ratepayers would not be affected

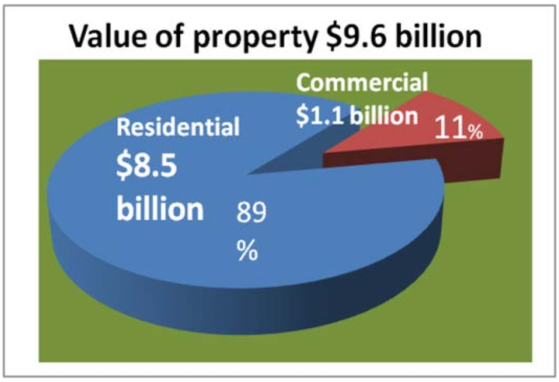
It is important to highlight that rates are a form of taxation and not a fee for service. The taxation principles are listed on the Office for State/Local Government Relations website (www.localgovt.sa.gov.au).

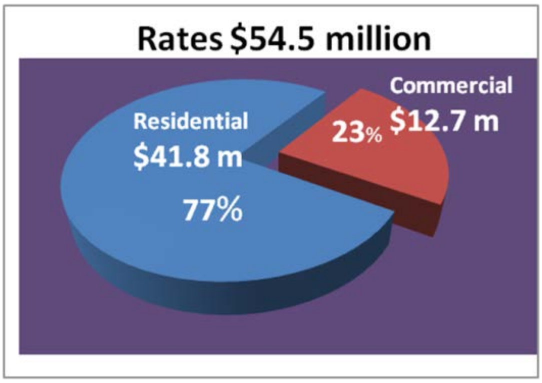
Fair and Equitable: What is a Fair Level ?

Finding a fair and equitable level of rates involves balancing two objectives: ensuring Council's rates are competitive with other metropolitan councils, and the rates are fair amongst all ratepayers in the City of Playford.

Measuring fairness requires comparison of vacant land, primary producer and residential properties (residential sector) with commercial and industrial properties (business sector).

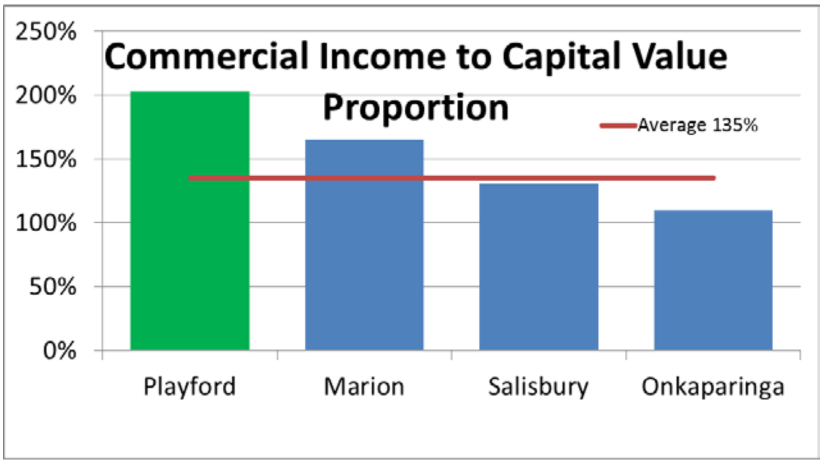
The approach adopted in comparing these two categories involved analysing each category's share of rates paid per property value. This is illustrated below:





Currently the business sector owns 11% of property in the city and pays 23% of the rates. Therefore, the proportion of rates the business sector pays relative to its property value is more than double (203%) that of the residential and other sector.

Similar metropolitan councils to the City of Playford ask businesses to pay an average of only 135% in rates relative to business property value, thus demonstrating the need for Council to reduce its level of rates.



The Strategy

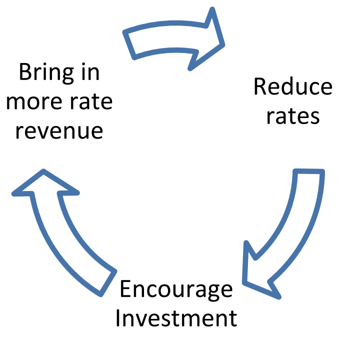
Council's strategy aims to reduce the share of rates paid per property value by the Commercial and Industrial sector from 203% to 135%.

This significant reduction to their rates will enable businesses to become more competitive, encourage investment and increase employment opportunities.

Encouraging investment is vital to improving the diversity of businesses in the city from all sectors including retail, industrial, hospitality and professional services. This diversity will increase the resilience of the local economy and improve the long term certainty of employment.

Implementing the Strategy

Council sees a positive future for business development in our city and will fund the strategy by investing the revenue from 'new growth' rate income from the business sector.



To achieve the rate reduction target, Council plans to quarantine and invest $5.5 million of the new rate revenue received annually from expected growth in property investment in our city over time.

Based on an average growth in property value from business investment of $75 million each year, we expect it will take 13 years to achieve the growth target – in effect, $1 billion worth of new investment. Council is currently developing a broader economic development strategy that will further contribute to achieving this goal.

As financial sustainability is important to Council, the rate reduction investment will start when Council returns its budget to surplus, which is forecast to occur in 2015-16.

Relationship to the Overall Rates Structure

The strategy will not affect the existing rating policies approved as part of the Annual Business Plan.

Whilst the level of commercial and industrial rates will reduce, the level of rates for residents, vacant land and primary production properties will remain unchanged, as will the township and phase-in rebates currently offered.

Council will still retain a policy for fixed charges per tenancy and 50% of rate revenue will continue to be collected from this source. This will be applied per commercial tenancy and is set at $795 for the 2013-14 financial year.

The level of rates to be paid by businesses will continue to be higher than other ratepayers. This level of rates is representative of businesses having greater capacity to pay than the residential sector and because many businesses receive a greater benefit from Council services than other ratepayers.

Council deems businesses as having a higher capacity to pay based on their higher than average value of property owned and their ability to generate profit from the property.

The retail sector comprises a large portion of businesses in the city. This sector relies heavily on Council infrastructure and services including roads, drainage and street lighting to provide access for their customers.

Likely Impact on Ratepayers

By achieving the growth target, the commercial rate in the dollar will reduce by approximately 40%, with the fixed charge remaining unchanged.

Using the 2013-14 level of Commercial and Industrial rates as an example, it will result in rates reducing from 1.32138 cents in the dollar to 0.792828 cents in the dollar.

The table below details the potential rate impact over 13 years on various sized properties. These estimated rates exclude rate increases Council may impose due to inflation or for new services. The rates are based on Council achieving a breakeven financial result before implementing any rate decrease.

Property Type	Valuation	No. of tenants	Existing Rates (1)	New Rates (1) (2)	% Change
Small Office	$150,000	1	2,777	1,984	-29%
Retail Shop	$300,000	1	4,759	3,173	-33%
Warehouse	$10,000,000	1	132,933	80,078	-40%
Large Shopping Centre	$50,000,000	30	684,540	420,264	-39%

(1) Includes a fixed charge of $795 per tenancy
(2) This is based on 2013-14 rating levels assuming no variation for CPI, rates growth or changes to property values.

Equity in the Community

Businesses currently pay more than twice as much as other ratepayers in the City of Playford. The reductions proposed in this strategy will ensure their rates become comparable to the average of other metropolitan councils similar to the City of Playford, and are at an equitable level when compared with all ratepayers in the Council area.

Although the implementation of the strategy will take time, Council will remain in a financially sustainable position and continue to service all ratepayers in the community.