

---

# Brisbane Association for Rates Equity Inc.

---

## Response to BCC Rates Remission Policy

9 December 2008

The proposed [BCC Rates Remission Policy](#) – introduced to overcome the ‘disparity’ created by its ‘parity scheme’ - simply heaps confusion upon confusion and will still impose excessive rates increases on thousands of Brisbane ratepayers.

The Working Example provided by the Council to describe how the Remission Policy will work in principle shows that general rates that were set to rise by a staggering 660% under the original scheme will still increase by more than 360% after the ‘remission’ - hardly a figure that will comfort unit owners across Brisbane.

And the Remission Policy offers absolutely no rates relief for thousands of people in units with a total underlying land value below \$10 million.

The ‘remission’ formula is even more complex and obtuse than the ‘parity factor’ itself and involves a calculation process beyond the capability and understanding of most ratepayers.

As was the case with the ‘parity factor’, the Council has offered no detail of how it arrived at the ‘remission’ formula and we await a plain English explanation from the Lord Mayor on the thinking behind this new plan.

### **Still no proof of ‘disparity’**

The so-called ‘parity factor’ is fatally flawed because it is built on an unproven premise - that unit owners pay far less on average in general rates than do owners of freestanding homes.

Unless the Lord Mayor proves the case that units pay substantially less in general rates, the ‘parity factor’ must be scrapped and the traditional method of calculating rates on all properties in Brisbane reinstated.

Six months after his announcement of the ‘parity factor’, the Lord Mayor has still not answered the call to provide such evidence. This lack of transparency has raised doubts as to whether the evidence actually exists.

The fact that the Council still have not released any data opens the possibility that the ‘parity factor’ is based on a myth rather than fact and that the Lord Mayor has been misleading the public for the past six months.

B.A.R.E. has conducted and published research, which shows that under the current system there are, in the most extreme situations, no more than a few percentage points difference between the general rates paid by Community Title Scheme properties and those paid by freestanding houses of an approximately equivalent market value. Introducing the ‘parity factor’ was like using a sledgehammer to crack a nut.

If the Council did conduct appropriate research, why won’t they release the details to the public? If they did not carry out the research, they have no basis upon which to introduce the ‘parity factor’ – other than a desire to top up Council coffers.

### **'Market value' has no bearing on general rates**

Over the past six months, the Lord Mayor and his Finance Committee Chairman have continually talked about 'properties of similar value paying the same rates' – but unless they have secretly valued every property in Brisbane, they have no knowledge of the market value of properties and no basis on which to change the system of calculating general rates.

The only way the Council could validly impose rates on this basis is by valuing every property in Brisbane on an annual basis and if that is what the Lord Mayor intends, he should tell the truth about his plans now.

The example below demonstrates the absurdity of the Council's so-called 'parity factor'. It also shows that many units are already paying more in rates than suburban houses.

A one-bedroom unit in the 30 year-old Gardens Apartments in Alice Street has a current market value of around \$380,000 (the amount that an identical unit on the floor below sold for in August 2008). The 'parity factor' created a fictitious unimproved land value for this property of \$748,000 – a supposed land value almost twice the market value of the unit!

Even prior to the application of the 'parity factor', this same unit owner paid more in rates than his friends in a substantial family home on a large block at Bellbowrie that has a market value of around \$700,000 - almost twice that of his unit.

And to add insult to injury, even after the 'remission' on his 'parity factor', he will be paying over \$3200 a year in rates – more than the Lord Mayor pays on his million dollar home at Windsor.

There are thousands of similar examples that show the 'parity factor' to be a house of cards that does not withstand the slightest scrutiny.

B.A.R.E. recently conducted an analysis of more than 100 freestanding homes, comparing the ratio of their Average Rateable Value (ARV) (the basis on which general rates are currently calculated) to the recent sale price of each property (the 'market price' to which the Lord Mayor constantly refers). They varied widely, ranging from a ratio of 4:1 for a property at Acacia Ridge (recently sold for \$500,000, with an ARV of \$125,000) to an Ascot property with an ARV of 73% of its sale price (ARV of \$700,000; sale price of \$950,000).

The results show that the ARV has little relationship to the market value of a property and that there are enormous variances in the rates paid by houses of equal market value.

This analysis provides even more proof that the Council's artificial distortion of the ARV of units in order to inflate their general rates bills is unfair, unjust and unfounded.

## **'Anomalies' lurk under every stone**

The case studies below provide examples of how the proposed 'remissions policy' will not fix the fatally flawed 'parity factor'.

### **Case study #1**

Even after the Council's 'remissions', the general rates on student units at Kelvin Grove will still be far greater than they are on what is arguably Brisbane's most expensive units in the CBD, worth four to five times the value of units in Kelvin Grove Urban Village. This is because the architects of the 'parity factor' failed to take into account the way some developments are structured whereby commercial businesses will absorb the major impact of the rates increase – thus creating distortions and further 'disparities', even between units.

### **Case study #2**

A pensioner who addressed Councillors in November described how she moved to a unit in 1999, has had both knees reconstructed and has respiratory and cardiac problems. She owns a small one-bedroom unit in the city and has around \$55 a fortnight left for food after paying her expenses and utility bills. She has no telephone or computer and finds it difficult to replace household items if they break down and does not know how she will pay the additional rates threatened under the 'parity factor'.

She was told that 'anomalies' in the proposed system would be addressed but now discovers that she will receive no 'remission' on her increased rates under the Lord Mayor's new policy.

## **Impact on tenants and the Brisbane unit market – more 'unintended consequences'?**

Figures provided by the Lord Mayor show that more than two-thirds of the additional revenue that Council stands to collect under the 'parity factor' will be from investor owned units – costs that are simply going to be passed on to tenants.

It is likely this will create a huge and immediate increase in the cost of rental accommodation at a time when governments around Australia are offering financial incentives to assist those on lower incomes.

It is also likely to discourage investment in the Brisbane unit market at a time when sales are already starting to drop.

## **The sleeping giant – the impact on business**

The attention to date has been on the impacts of the 'parity factor' on units. However, business owners are now starting to realise how seriously they will be affected. One instance that recently came to light is that of a small business owner who will pay more than \$3000 per annum in additional rates even after receiving the Lord Mayor's 'remission'.

Thousands more small businesses, already struggling for survival, will realise the implications of this tax on CTS properties when they receive their rates bills in January. As with most price rises incurred by businesses, these additional costs will likely be passed on to the customer, increasing prices and putting even more pressure on business operators fighting to stay afloat.

### **B.A.R.E. calls for a return to rates equity and common sense**

B.A.R.E. continues to call upon the Lord Mayor to suspend introduction of the 'parity factor' pending a thorough objective review of the research claimed by Cr Newman to provide the evidence of rates 'disparity' between units and houses.

Despite repeated requests made by B.A.R.E., no details of this research have been released and this lack of transparency has raised doubts as to whether the evidence actually exists.

B.A.R.E. claims that its own research unequivocally discredits the Lord Mayor's proposition and believes that Council has no legitimate or equitable basis to introduce a discriminatory rates system for CTS properties.

The BCC must continue to assess general rates on the Average Rateable Value – land value - of each property because that is the only objective measure available and is assessed each year by the State Government.

B.A.R.E. reiterates its offer to work with the Lord Mayor and Council to create a proper understanding of the serious anomalies this 'parity' plan will inject into Brisbane rating generally, and inflict on owners of CTS properties in particular.

The Lord Mayor claims that introduction of the 'parity factor' cannot be revoked under the City of Brisbane Act. If that is the case, B.A.R.E. calls upon him to provide 'remissions' to cover all rates increases inflicted by the 'parity factor' in this financial year and then to scrap the 'parity' scheme for good.

At a time when the Federal Government is issuing \$10 billion to stimulate the economy and when the State Government has confirmed that there will be an increase in unemployment, the Lord Mayor of Brisbane is pressing ahead with the most dramatic increase in Brisbane rates history – and without providing any evidence to underpin it.

This precedent of the Lord Mayor and Council changing rules at a whim, without offering any evidence to back their claims, deprives property and business owners in Brisbane of any surety in future years.

[www.BrisbaneRatesEquity.com.au](http://www.BrisbaneRatesEquity.com.au)