Submission No. 59 - R O'Connell - received 23/03/2018 - authorised for publication 28/03/2018.

Executive Committee of the Owners Corporation Units Plan 651, Isaacs

Submission To

The Standing Committee on Public Accounts Inquiry into the Methodology for Determining Rates and Land Tax for Strata Residences

In the last Budget the Government changed its rates calculation methodology with the aim of bringing rates for strata properties more into line with stand alone properties over two years. It did this by changing how the Valuation Based Charge is applied to strata properties. Presumably further rates increases using this methodology are locked into the next Budget.

We contend that the new rates calculation principles and methodology are seriously flawed. The impact of the increases is to seriously disadvantage strata unit owners, many of whom are retired, have reduced and limited incomes and accordingly have downsized from larger properties in order to decrease their cost of living and continue to rely on their own resources. They paid full stamp duty to do this.

This increase to the rates charged to strata units is unfair and inequitable. It fails to recognise that the very nature of strata units, with by definition a lower land allocation than free-standing houses, means that strata unit owners make a significantly reduced demand on government services, including reduced street frontages, street lighting, collection points for garbage and recyclables. For example, Units Plan 651 comprising 22 strata units has two street entrances only, two collection points for garbage and recyclables, reduced demand on external street lighting. In addition, the corporation of strata unit owners provides and maintains, at the cost of owners, its own internal roads, internal exterior lighting, garden and lawn maintenance.

The sliding scale of marginal rates means that everything over $600,000 in the AUV for our entire strata complex attracts the top valuation rate. All future increases in the AUV of the total land of the complex (or any increase in the top calculation rate) will result in all future rates increases for our individual units being at that top rate; unlike similar houses nearby where their AUV's range from the mid $300,000s.

Also, the current methodology does not differentiate between the different types and classes of units. A set of high rise apartments in a newer development is not the same thing as a townhouse complex of stand alone single storey dwellings built 30 years ago in an older suburb with a lower government mandated plot ratio.

The Owners Corporation notes that the significant increases to rates add to the costs of living of owners of townhouses. This in turn has a negative impact in the context of the economic and social, and therefore political, issue of housing affordability. Housing affordability is not just an issue for younger citizens and first home buyers; it is also an issue for older citizens who manage on reduced incomes.

We draw to the attention of the Committee, that in purchasing strata units, these home owners have made deliberate decisions to acquire smaller size properties, expecting that the levying of rates and taxes would remain in line with the smaller property size. The impost of rates and taxes beyond those of equivalent houses without recognition of the smaller land allocation is unfair and inequitable. Moreover, it is in effect a retrospective tax.

The Owners Corporation requests the Standing Committee on Public Accounts to consider the issues before it and recommends adjustments to the Government's rates calculation principles and methodology in order to address the issues of unfairness and inequity set out in this and other submissions.