

9.2.4 CHANGE OF METHOD OF VALUATION – SPLIT RATING OF RURAL PROPERTIES WITH NON-RURAL USES

File Ref:	A219, A5836, A784, A1047, A1598, A1883. A32, A348, A3918, A5264, A57, A1721, A408, A494, A5732, A2612, A391 and A483
Applicant / Proponent:	Various. See attachment 9.2.4a.
Subject Land / Locality:	Various. See attachment 9.2.4a.
Disclosure of Officer Interest:	Nil
Date:	29 November 2022
Author:	Lee Sounness, Manager of Corporate Services
Authorising Officer:	Gina McPharlin, Director of Corporate & Community Services
Attachments:	9.2.4a – Summary of Applications 9.2.4b – Schedule of Submissions and Objections

Summary:

The purpose of this report is for Council to consider changing the method of valuation of eighteen Rural UV (Unimproved Value) rateable properties that contain distinct non-rural commercial uses on separately identifiable portions of the rural properties.

Background:

The Shire of Denmark commenced a review of its rating structure in November 2019. Rating Review – Stage 1 was undertaken in 2019/20 to simplify the Shire of Denmark's rating model and to align to the fundamental rating principles of the Local Government Act 1995 (s6.33) of:

- a. Objectivity;
- b. Fairness and Equity;
- c. Consistency;
- d. Transparency and;
- e. Administrative Efficiency

In June 2020, Council adopted a differential rating structure with amended categories, reducing the number of rating categories from 14 to 4:

Gross Rental Valuations (GRV)

1. Non-Rural Improved
2. Holiday Purposes
3. Vacant

Unimproved Valuations (UV)

4. Rural

The adoption of the revised rating structure adopted in June 2020 mostly met the objectives of Council, but some inequity in the rating of rural properties with multiple non-rural uses within the district still existed.

Rating Review - Stage 2 commenced in October 2020, with the principal objective to provide a clear understanding of the administration, cost and time to apply split rating methods across rural properties utilised for non-rural purposes.

To address these rating inequities of rural properties, Council in May 2021, endorsed an amendment of the differential rating model that included two (2) additional UV rating categories to capture rural properties that have non-rural use(s). These two (new rating categories came into effect for the 2021/22 Municipal Budget:

Gross Rental Valuations (GRV)

1. Non-Rural Improved
2. Holiday Purposes

3. Vacant

Unimproved Valuations (UV)

4. Rural

5. Rural Additional Use – Holiday Purposes (new)

6. Rural Additional Use – Commercial (new)

A further recommendation to apply split rating on rural rated properties containing distinctly non-rural uses was not endorsed at the May 2021 OCM.

At the June 2021 OCM, Council endorsed *the application of split and spot rating (as appropriate) on UV-rated properties containing distinctly non-rural uses which fall into the 'Rural Additional Use – Commercial' rating category*. The application of split rating to these rural properties is the purpose of Rating Review - Stage 3.

To assess and apply split rating valuations to Rural properties with non-rural uses the following information and processes apply:

Rating Review Stage 3: Change of Method of Valuation - Implementation of Split Rating

Split Rating – where a local government identifies that a rateable property contains distinctly rural and non-rural uses on separately identifiable portions of the property, it may consider applying different methods of valuation to those distinct portions. This is referred to as "split valuations".

According to DLGSC, "Split valuations should only be considered as an option where the predominant use of a property cannot be determined objectively and fairly or where it is appropriate to do so for reasons of rating fairness."

There are several steps in the process of changing the method of valuation of land for rating purposes. The process is outlined under Section 6.28 of the Local Government Act 1995 and by following DLGSC Operational Guidelines - Changing Methods of Valuation of Land.

Each step is important in achieving a successful outcome:

Step 1: Identifying land use changes that may affect predominant use.

New developments and changes to land use can alter the predominant use of land and thereby the method of valuation that is used to rate it.

Step 2: Reviewing predominant use.

The Act does not define the term "land" for the purpose of predominant use. Where a local government identifies new/existing developments or land uses, it can decide whether to review the predominant use of the affected land only or a larger or smaller area of land. This can be done by implementing split valuations across the one property.

Step 3: Consulting affected parties.

Step 4: Changing the method of valuation by application:

- a. Decision by Council from Ordinary Council Meeting report and consideration of ratepayer's consultation;
- b. Applications forwarded to the DLGSC for assessment and then submission to the Minister for consideration;
- c. Ministerial Approval - Minister determines the applications to be approved / not approved;
- d. Interim valuation by Landgate and rates notice issuing - approved valuations apply from the next financial year once approved by the Minister.
- e. Property owners receive two rate notices annually. UV for the rural property and GRV for the identified portion of the property with non-rural uses

Consultation:External

Department of Local Government, Sport and Cultural Industries (DLGSC):

- Rating Policy for Valuation of Land (Section 6.28)
- Rating Policy for Differential Rates (Section 6.33)
- Local Government Guidelines - Changing Methods of Valuation of Land
- DLGSC officers provided verbal advice

Landgate:

- Provided verbal advice.
- Interim GRV land valuations

Community Consultation:

- October 2020 - Rating Structure Review: Stage 2 Information Letter and Land Use Declaration Form. The applicant was asked to complete a Land Use Declaration Form to help make a determination of which basis of valuation should apply.
- July 2021 – Rating Structure Review: Stage 2 Update
- April 2022 – Rating Structure Review: Stage 3 Changing Methods of Valuation: Split Rating – Advice of Indicative Rates Payable and Request for Comment. The applicant was asked to complete a Land Use Declaration Form to help make a determination of which basis of valuation should apply.
- July 2022 – Notice of Intention: Shire of Denmark Rating Strategy 2022/23, including Statement of Objects and Reasons
- December 2022 – Advice of report to Council and consideration of objections and submissions

Internal

Briefing sessions with Councillors.

Statutory Obligations:

VALUATION OF LAND ACT 1978

The Minister for Local Government has the responsibility for determining the method of valuation of land to be used by the Valuer General. Where the Minister changes the basis of valuation from UV to GRV, Council may resolve to apply the change of valuation immediately or phase in any changes in valuation in accordance with Schedule 6.1 of the Local Government Act (1995).

LOCAL GOVERNMENT ACT 1995

Schedule 6.1 (1) & (2)
 Section 6.28 (1) & (2)
 Section 6.31
 Section 6.33 (1), (2), (3) & (4)
 Section 6.36

Policy Implications:

P030105 - Rating Equity Policy

The Shire of Denmark Council Policy P030101 reads as follows:

In implementing suitable rating systems and procedures, Council seeks to observe the principles of objectivity, fairness and equity, consistency, transparency, and administrative efficiency.

To enable split rating and changing the method of valuation of properties, the Rating Equity Policy contains the following:

Split Rating:

The Local Government Act 1995 permits the Shire of Denmark to "split rate" non-rural uses on unimproved value land and effectively isolate that activity from the remainder of the property and rate that activity on a separate land parcel; one land parcel reflecting the rural use and the other land parcel reflecting the non-rural use/s.

Rating Category Definition:

Rural - Additional Use Commercial: a property is determined to be held or used for Rural Additional Use Commercial Purposes where the method of valuation used for the property for the purposes of rating is the Unimproved Value (UV) of the property and where the property is operating approved non-rural commercial activities. Where there is approved commercial activities or holiday accommodation over a quantity of four then this Rural Additional Use category will apply.

Budget / Financial Implications:

A change in the method of valuation will impact the Shire's future rate revenues dependent upon the Gross Rental Valuations provided by the Valuer General's office of the subject lands. Amendments to the rate records are an estimate based on the notional valuation provided by Landgate of the GRV valuation of the portion of the property. The Shire has the option to phase in these GRV valuations on the rural properties.

Any financial implications are detailed within the context of this report.

Strategic & Corporate Plan Implications:

Implement a financial strategy to ensure the Shire of Denmark's financial sustainability.

The report and officer recommendation are consistent with Council's adopted Strategic Community Plan Aspirations and Objectives and the Corporate Business Plan Actions and Projects in the following specific ways:

Denmark 2027

L5.4 To be fiscally responsible

Sustainability Implications:

➤ **Governance:**

There are no known significant governance considerations relating to the report or officer recommendation.

➤ **Environmental:**

There are no known significant environmental implications relating to the report or officer recommendation.

➤ **Economic:**

There are no known significant economic implications relating to the report or officer recommendation.

➤ **Social:**

There are no known significant social considerations relating to the report or officer recommendation.

➤ **Risk:**

Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk Theme	Risk Action Plan (Controls or Treatment proposed)
That the Minister for Local Government does not approve a request for a change of method of valuation.	Possible (3)	Minor (2)	Moderate (5-9)	Providing Inaccurate Advice / Information	Accept Risk
That the owner of the subject land objects to Council not approving an amendment to the rate record and appeals the process	Likely (4)	Moderate (3)	High (10-16)	Not Meeting Community expectations	Manage by considering objection in accordance with Local Government Act 1995

Comment/Conclusion:

Local Governments must ensure that the rating principles of the Local Government Act (1995) are correctly applied to rateable land within their districts. Due to the increasing complexity of rating, the use of differential rating continues to decrease across the sector.

The Shire of Denmark is currently in Stage 3 of reviewing its differential rating structure, with the objective to make it less complex and more equitable to all ratepayers.

The Shire of Denmark is currently in Stage 3 of reviewing its differential rating structure, with the objective of making it less complex and more equitable to all ratepayers.

Stage 3 of the rating review seeks to apply to the Department of Local Government, Sport and Cultural Industries (DLGSC) to change the method of valuation of rural rateable properties that contain distinctly rural and non-rural purposes on separately identifiable portions of the property.

Of the 4,138 properties rated in the Shire of Denmark, twenty-one properties are currently rated as Rural Additional Use – Commercial (UV) under the Shire rating structure. (See Table 1 below.)

Of these twenty-one properties, eighteen are included in this application to DLGSC to split rate and change their method of valuation. Of the other three (3), one (1) property is under reassessment, and two (2) properties require further consultation before an application is made.

Table 1: Rating Category: Rural Additional Use – Commercial (UV) (Annual Budget 2022/23)

	Prop. No.	Rate in \$ / Minimum \$	Rateable Value \$	Budgeted Rate Revenue \$
General Rates				
Rural Additional Use – Commercial (UV)	16	.007668	10,232,000	78,459
Minimum Payments				
Rural Additional Use – Commercial (UV)	5	2,832	1,721,000	14,160
TOTAL	21		\$11,953,000	92,619

Applications made to the DLGSC to change the method of valuation must include the following:

- The reason and need for the application: to split rate the rural property
- Description and detail of the land
- Assessment of the predominate use of the property
- Similar purpose land – what proportion of the land is being used for non-rural uses.
- The future impact on rate assessment
- Consideration of phasing in of valuations
- Consultation undertaken, including the Council's response to any submissions.
- An effective date – specification of the date that the Shire would like the Minister to approve as the date from which the change is to take effect.
- Officers report to Council and extract of Council's minutes relevant to applications.

Assessment of the Predominate Use of the Properties subject to the Application

Properties currently rated Rural Additional Use – Commercial have been determined by officers to be operating approved non-rural commercial activities on their Rural UV property as per the rating definition prescribed in Shire Policy P030105 - Rating Equity Policy.

As part of this application process, predominate use was further established through:

- Land Use Declaration Forms completed by property owners
- Statutory Approvals - confirmation of land and building development approvals
- Online property inspections

Future Financial Impact on Rate Assessments

Where changes in valuations are made, which result in significant increases in rate assessments on properties, local governments are urged to consider phasing in the valuations. Section 6.31 of the Act provides that valuations can be phased in where a determination is made by the Minister under section 6.28 of the Act to change the method of valuing land from UV to GRV.

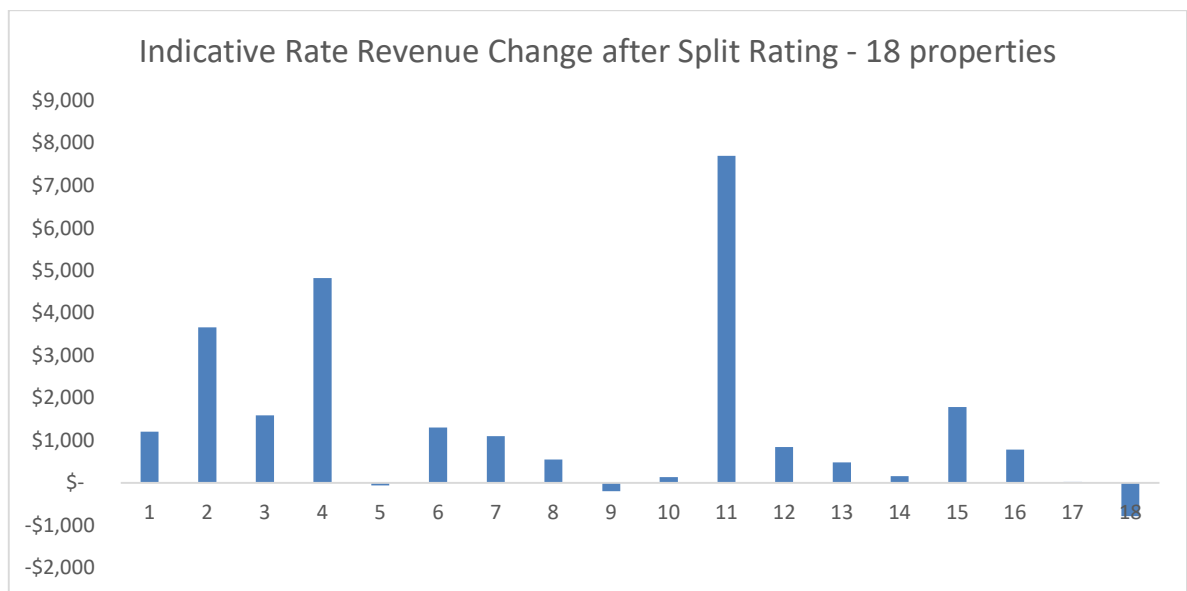
The Shire's total budgeted rate revenue for 2022/23 is \$7,635,814. It is indicated in Table 2 below that if the Minister approves the Shire's application to change the method of valuation and split rate 18 properties, annual rate revenue would increase by \$25,139 (0.3%).

Table 2: Summary of the change to total rates of property owners who are split rated - Change in the Method of Valuation

Application	Current Rating		Split Rating				Change \$	Change %
	Current 2022 UV Valuation	Current 2022 UV Rates \$	Rate Notice 1 - UV		Rate Notice 2 - GRV			
			Indicative UV Rates \$	Interim Landate GRV Valuation	Indicative GRV Rates \$	Indicative Total Rates \$		
#1	561,000	4,302	2,531	28,080	2,983	5,513	1,212	28%
#2	349,000	2,832	1,574	35,620	4,919	6,493	3,661	129%
#3	772,000	5,920	3,482	37,960	4,032	7,515	1,595	27%
#4	432,000	3,313	1,949	58,240	6,186	8,135	4,823	146%
#5	430,000	3,297	1,940	10,400	1,298	3,238	- 60	-2%
#6	654,000	5,015	2,950	31,720	3,369	6,320	1,305	26%
#7	335,000	2,832	1,511	22,820	2,424	3,935	1,103	39%
#8	543,000	4,164	2,449	21,320	2,265	4,714	550	13%
#9	472,000	3,619	2,129	11,960	1,298	3,427	- 192	-5%
#10	430,000	3,297	1,940	14,040	1,491	3,431	134	4%
#11	711,000	5,452	3,207	72,020	9,945	13,153	7,701	141%
#12	571,000	4,378	2,576	25,000	2,656	5,231	853	19%
#13	478,000	3,665	2,156	18,720	1,988	4,145	479	13%
#14	596,000	4,570	2,689	14,820	2,046	4,735	165	4%
#15	337,000	2,832	1,520	29,120	3,093	4,613	1,781	63%
#16	355,000	2,832	1,601	18,980	2,016	3,618	786	28%
#17	345,000	2,832	1,556	8,580	1,298	2,854	22	1%
#18	658,000	5,046	2,968	9,620	1,298	4,266	- 779	-15%
TOTAL	9,029,000	70,198	40,730	469,020	54,607	95,337	25,139	

Modelling also indicates that nine (9) of the eighteen properties would receive an increase to rates of over 20%. All properties should be considered for phasing in their change in valuations. Table 3 illustrates that indicative change to rates across the eighteen properties, varying from an approximate \$8,000 increase to an approximate \$1,000 decrease.

Table 3: Indicative Rate Revenue Change Summary of the change to total rates of property owners who are split rated - Change in the Method of Valuation



Consultation With Affected Parties

Local governments must consult with the property owners to achieve a common understanding and ideally, reach an agreement on the improvements subject to the proposal. Submissions to the DLGSC require evidence that the proponent has been informed of the estimated gross rental valuation and any copies of objections or comments the proponent has submitted in response.

A table summarising the required consultation undertaken by the Shire for applications is outlined in Attachment 9.2.4b. As part of this consultation process, property owners subject to the application to change their method of valuation were informed by letter in May 2022 of their estimated gross rental valuation and rates under a new split rating structure.

Consultation with affected property owners also included an invitation to comment and/or lodge an objection to Council on the proposed changes to the method of valuation and split rating of their property. Submissions received by the Shire from affected property owners are tabled in Attachment 9.2.4a.

Conclusion

Based on the information required to be provided through application, and by applying Council Policy P030101 Rating Equity Policy and subject to consideration of submissions/objections by affected landowners, it is recommended that Council consider changing the method of valuation of eighteen Rural UV (Unimproved Value) rateable properties that contain distinct non-rural commercial uses on separately identifiable portions of the rural properties through application to the Minister.

In determining Council's request, the Minister for Local Government will:

- obtain technical descriptions from Landgate;
- advertise the ministerial determination in the Government Gazette; and,
- write to the Shire of Denmark and Landgate, with a copy of the gazettal notice.

Following and subject to the Minister's determination, the Shire of Denmark will inform the owner of the gazettal notice and seek a new valuation from Landgate before implementing the change of method of valuation. The effective date of the new method of valuation for the affected land area outlined will be the date of gazettal or such date as given by the Minister.

This report to Council, including all attachments, reflects the information and will form the basis of any request required by the Minister for Local Government.

Voting Requirements:

Simple majority.

COUNCIL RESOLUTION & OFFICER RECOMMENDATION		ITEM 9.2.4
MOVED: CR CLARKE		SECONDED: CR GIBSON
That Council;		
1. CONSIDERS the submissions by affected property owners subject to the application by the Shire to change their method of valuation; and		
2. REQUESTS the Minister for Local Government to approve to change of method of valuation and split rate eighteen properties summarised in Attachment 9.2.4a for the basis of rating, with effect from 1 July 2023.		
AMENDMENT		
MOVED: CR LEWIS		SECONDED: CR GEARON
Add a part 3 which states, "AGREES to phase in valuations, in accordance with Schedule 6.1 of the Local Government Act 1995, if the Minister for Local Government approves the application to change the method of valuation and split rate for the basis of rating".		
CARRIED: 9/0		Res: 131222

AMENDED MOTION

That Council;

1. CONSIDERS the submissions by affected property owners subject to the application by the Shire to change their method of valuation; and
2. REQUESTS the Minister for Local Government to approve to change of method of valuation and split rate eighteen properties summarised in Attachment 9.2.4a for the basis of rating, with effect from 1 July 2023.
3. AGREES to phase in valuations, in accordance with Schedule 6.1 of the Local Government Act 1995, if the Minister for Local Government approves the application to change the method of valuation and split rate for the basis of rating.

THE AMENDED MOTION BECAME THE SUBSTANTIVE MOTION WHICH WAS PUT AND CARRIED: 9/0 Res: 141222

COUNCIL RESOLUTION

MOVED: CR GEARON

SECONDED: CR GIBSON

That the meeting return to Item 9.1.1 on the Agenda.

CARRIED: 9/0

Res: 151222

Summary of 18 Applications to Change the Method of Valuation - Split Rate

UV Method of Valuation					GRV Method of Valuation				Consultation				
App #	Assess No	Suburb	Total Rural UV Area	UV Valuation	Non Rural Uses			Indicative Landgate GRV Valuation	Land Use Declaration Form	Letter 1 - Oct 2020	Letter 2 - July 2021	Letter 3 - April 2022	Advising of OCM - Dec 2022
1	A219	SHADFORTH	33.2545 ha	561,000	Cellar Door	Winery	Restaurant	28,080	Not Supplied	√	√	√	√
2	A5836	BOW BRIDGE	25.1672 ha	349,000	Campgrounds	Chalets x 2		35,620	√	√	√	√	√
3	A784	OCEAN BEACH	78.5675 ha	772,000	Cellar Door	Winery	Chalets x 3	37,960	√	√	√	√	√
4	A1047	SCOTSDALE	56.4386 ha	432,000	Cellar Door	Winery	Restaurant	58,240	Not Supplied	√	√	√	√
5	A1598	KENTDALE	52.8794 ha	430,000	Cellar Door	Winery		10,400	√	√	√	√	√
6	A2883	SHADFORTH	36.8983 ha	654,000	Cellar Door	Winery	Restaurant	31,720	√	√	√	√	√
7	A32	BOW BRIDGE	40.0057 ha	335,000	Cellar Door	Winery	Restaurant	22,820	√	√	√	√	√
8	A348	SCOTSDALE	32.4568 ha	543,000	Cellar Door	Winery		21,320	Not Supplied	√	√	√	√
9	A3918	SCOTSDALE	43.7815 ha	472,000	Cellar Door	Winery		11,960	√	√	√	√	√
10	A5264	SCOTSDALE	14.0211 ha	430,000	Cellar Door	Winery		14,040	√	√	√	√	√
11	A57	WILLIAM BAY	137.6218 ha	711,000	Chalets x 7			72,020	Not Supplied	√	√	√	√
12	A1721	SHADFORTH	26.1022 ha	571,000	Winery			25,000	√	√	√	√	√
13	A408	SCOTSDALE	31.9000 ha	478,000	Cellar Door	Restaurant		18,720	√	√	√	√	√
14	A494	SCOTSDALE	50.8403 ha	596,000	Cellar Door	Chalets x 2		14,820	√	√	√	√	√
15	A5732	SCOTSDALE	17.0850 ha	337,000	Cellar Door	Cheese Factory		29,120	√	√	√	√	√
16	A2612	TINGLEDALE	44.6545 ha	355,000	Cellar Door			18,980	√	√	√	√	√
17	A391	SCOTSDALE	84.8196 ha	345,000	Cellar Door			8,580	√	√	√	√	√
18	A483	SCOTSDALE	47.8021 ha	658,000	Cellar Door			9,620	√	√	√	√	√

SCHEDULE OF SUBMISSIONS

Changing the Method of Valuation Application – Split Rating

Submissions Received from Property Owners Rated: Rural Additional Use - Commercial

Ref No.	Property Name	Submission	Officer Comment
1	1 Tindale Road, Bow Bridge	<p>Hello,</p> <p>I am writing on behalf of the owners of 1 Tindale Road, Bow Bridge</p> <p>We received a letter last week regarding a further increase in our rates, based on the rural rate splitting of our property.</p> <p>The rates were basically doubled last year from the previous year and now a further 55% increase.</p> <p>Are the rates going to continue to rise to this extent or will they remain at the stated figure, subject to standard rises by CPI?</p> <p>As the rate change is subject to ministerial approval, will the rate increase commence from 1 July 2022 regardless or only once approval is granted?</p> <p>Thanks for your time.</p>	<p><i>Noted and in response:</i></p> <p><i>Rates are currently planned to increase by 4% each year as indicated in the Shire Long Term Financial Plan 2021-2031.</i></p> <p><i>If Ministerial approval is granted, the changes in valuations on the property will commence from July 1 after the date it is approved. Changes to take effect cannot be retrospective.</i></p> <p><i>The submission will be received and considered by Council at December 2022 Ordinary Council Meeting.</i></p>
2	Forest Hill Winery	<p>Thanks for your email which I have read and think I understand.</p> <p>As you may be aware our property has been the location of the Forest Hill Winery for nearly 20 years and includes the Pepper & Salt restaurant. However, the vast majority of the property is used for rural purposes including growing grapes and running cattle with very little area used for other activities.</p> <p>The wine industry is not very profitable, highly competitive and a lot of hard work. The winery itself is part of a rural industry which is converting grapes to juice which is then fermented into wine. This is not dissimilar to way a livestock or grain producer uses their sheds and facilities to improve and complete a product. In fact there is little difference in reality in a wine operation as to how an aphorist produces honey from beehives or an egg producer uses sheds to produce, grade and pack their eggs and in many cases these rural activities sell product direct to the public at the farm gate. There are obviously many more examples of other rural activities.</p>	<p><i>Noted and in response:</i></p> <p><i>Under Shire Policy P030101 – Rating Equity Policy, rural and non rural uses for rating are defined as:</i></p> <p><i>Rural Use - Has the same meaning as the following definitions in the Town Planning Scheme, namely:</i></p> <p><i>“permitted uses”</i></p> <ul style="list-style-type: none"> - <i>One Residential Dwelling</i> - <i>Two Residential Dwellings (over 10ha)</i> <p><i>“rural pursuit” - means use of land for any of the purposes set out hereunder and shall</i></p>

The small balance of our property that you could classify as non-rural is just the restaurant and cellar door which are essentially tasting opportunities of local products. These are relatively very small areas which I would have thought far too small for the Shire of Denmark to worry about. In fact the restaurant which is an asset to the local region, has no rental value to us and is leased to Silas Masih for no rental return as it has been now for nearly a decade in an effort to help make his business sustainable all year round. Increased Shire rates make high quality tourism driving businesses in our local region harder to operate and add to the burden of what is a very difficult activity.

As you may be aware hospitality in regional areas is highly seasonal, suffers high costs, struggles to attract staff and then has to pay the penalty rates which out of hours businesses (like ours) in Western Australia are subject to.

The only area of our property that would fall to be subject to the proposed penalty Shire rental rate is our cellar door which comprises of a room of 10m x 12m. In this small retail business, we are also subject to high staff costs and difficulty in attracting staff because of the variable hours. It is in no way a bonanza.

Will these penalty Shire rates also be applied to farms who are selling eggs, vegetables, avocados, plants at their front gates ? Surely these are the types of activities you want to encourage to keep rural country feel of Denmark.

We feel it is also important for the Shire to distinguish between primary industries such as wine producers (those of us who actually do the hard work and run a winery and vineyard) who have small cellar doors for tasting experiences and those who have commercial bar/tavern type operations which aim to attract a broader crowd with no real local product. These commercial operations are very different to our business, they seek a different clientele and provide a completely different experience.

As outlined previously, businesses such as ours are not highly profitable yet have a leveraged effect of attracting tourists to the district which benefits many residents and in the longer term all ratepayers of the Shire of Denmark. There are few direct benefits that we get from the Shire, we even have to pay for our own rubbish collection (we no longer pay to the Shire as it is more expensive than Vancouver Waste). It seems wrong that the Shire wants to seek out every possible means to penalise family businesses which seek to employ locals and assist in providing the lifeblood to the district in tourism from which the Shire revenues benefit. The long respected research shows that when people are considering a holiday destination they look for an offering of good food, wine, local cuisine and fresh local produce. This ranks as the most influential factor after unique/extraordinary natural sights, beautiful beaches, pristine natural environment etc.

include such buildings normally associated therewith:

- *the growing of cereals or food crops except for domestic purposes*
- *the rearing or agistment of livestock*
- *the stabling, agistment or training of horses*
- *the growing of trees, plants, shrubs, or flowers for replanting in domestic, commercial or industrial gardens*
- *the sale of produce grown solely on the lot but does not include the following except as approved by the Council:*
 - *the keeping of pigs*
 - *poultry farming*
 - *the processing, treatment or packing of produce*
 - *the breeding, rearing or boarding of domestic pets*

Rural Use also includes the following, as defined in the Town Planning Scheme Appendix I – Interpretations, where such uses have been approved by Council upon the subject land:

- *aquaculture*
- *horticulture*
- *private tree plantation*
- *kennels*
- *extractive industry*
- *feedlot farming*
- *home occupation*
- *market*
- *office*
- *piggery*
- *poultry farming*

		<p>We object to another level of penalty cost burden from the Shire. We believe our type of business should attract a rebate of the current level of Shire's rates on the basis of the employment and value we add to the district and ultimately to Shire revenues. It seems the only contact we get from the Shire is on revenue matters, nothing else. We would prefer to be able to work with local government and discuss issues and pathways of how we can work together to achieve each other's goals.</p>	<p><i>Non-Rural Use – means all approved activity on rural land which is not listed under the term "Rural Use for the purposes of the rating system. The term approved relates to Planning Approvals, Environmental Health Licences and Registrations, and Building Permits, from the Shire of Denmark, where applicable to the activity being undertaken.</i></p> <p><i>The submission will be received and considered by Council at December 2022 Ordinary Council Meeting.</i></p>
3	Castelli Group	<p>To the Chief Executive Officer,</p> <p>Castelli Group as owners of Castelli Estate located at 380 Mount Shadforth Road & 75 McNabb Rd object to the change of valuation method.</p> <p>On the grounds that it will increase the outgoings costs of the property.</p>	<p><i>Noted and in response:</i></p> <p><i>Your submission will be received and considered by Council at December 2022 Ordinary Council Meeting.</i></p>
4	The Lakehouse	<p>This letter is in response to your letter dated 27 April 2022 which we received via mail on Tuesday 10th May 2022, and our objection to the proposed increase of rates through a split rating system which is being proposed for our property at 106 Turner Road, Denmark (lot 101).</p> <p>This is not the first increase that we have had. In 2021/2022 the rates increased by 67% from the 2020/2021 year. Now it is being proposed that the rates increase again with a new split rating method in 2022/2023, bringing the total increase of rates to 105% in 2 years.</p> <p>The current rating category for our property is UV (Unimproved Valuation) which is used for rural properties. We fall under the Rural Additional Use -Commercial sub-category as in addition to our viticulture activities we also operate a cellar door/cafe (operates during the day only) to promote our valued-added wines and food products.</p> <p>In 2021/2022 the valuation was \$545,000 for the whole property. With the proposed new split rating system, it is indicated in your letter that we will still have a valuation of \$545,000 for the UV rating and then an additional \$30,000 for the GRV rating.</p> <p>We understand that the split rate method on non-rural uv on unimproved value land is that it isolates the non-rural activity on a separate land parcel to the rural activity and then rates each land parcel separately. It appears that we will have a double rating on the portion of land that you are indicating is rated GRV. We would like to have further clarification of how you have assessed the land parcel that you consider non-rural.</p>	<p><i>Noted and in response:</i></p> <p><i>Where a local government identifies that a rateable property contains distinctly rural and non-rural uses on separately identifiable portions of the property, it may consider applying different methods of valuation to those distinct portions. The property will then be dual rated. One rate notice for GRV portion of the property and one rate notice for the UV property.</i></p> <p><i>There are several ways to identify and record land use for rating purposes. They include, but are not limited, to the following –</i></p> <ul style="list-style-type: none"> <i>(a) Development and other statutory approvals;</i> <i>(b) Property inspections;</i> <i>(c) Land use declaration forms</i> <p><i>Where split valuations are used by Local Governments, the UV and GRV areas will need to be defined with reasonable precision</i></p>

			<p><i>as part of the application to the Minister. This may involve a Global Positioning Survey (GPS) being undertaken on the identified portions of land.</i></p> <p><i>Your submission will be received and considered by Council at December 2022 Ordinary Council Meeting.</i></p>
5	Old Kent River Wines	<p>Subject: Proposed Rating Changes 2022</p> <p>I wish to lodge my objection to the further changes to the Shire of Denmark's Rating system that will see my rates increase to \$3269 or by 16% over last years rates (\$2812) and by 220% over 2020 rates (\$1469). The behaviour of then Denmark Shire reminds me of the 'Oliver' quote "please sir can I have more". I guess it's a case of coming up with a new formula each year that increases rates at levels way above those that could be deemed reasonable.</p> <p>The proposed rating increases over the last 2 years seriously discriminate against rural property owners who have tried to establish a commercial activity on their property to supplement their rural income. These activities can vary widely in their establishment cost and financial returns.</p> <p>By way of example, let me explain our situation. We have owned the 40 hectare rural property at Kent River for 32 years and have practiced small scale agricultural and horticultural pursuits. We have supplemented our rural income by renting part of one of our buildings for a cafe.</p> <p>Historically there has been some commercial activity on the property since the 1920's. In 1998 the property was rezoned Rural - Additional Use to allow the establishment of a cellar sales and restaurant by a third party. Facilities were upgraded at significant cost in 2005 to accommodate these commercial activities. A winery's cellar sales operation utilized these facilities until 2017, when they relocated to Margaret River. We have since rented out part of one building for a cafe that began operation in January 2022.</p> <p>Our rates for 2020/21 were \$1469 increasing to \$2812 in 2021/22 - an increase of 90%. Under the proposed new system our 2022/23 rates will be \$3269 an increase of 16% over 2021/22 rates. The combined increase over 2 years amounts to 220%. This is totally unreasonable.</p>	<p><i>Noted and in response:</i></p> <p><i>The following consultation with property owners has occurred regarding the proposed rating changes:</i></p> <ul style="list-style-type: none"> • <i>Letter October 2020 - Rating Structure Review: Stage 2 Information Letter and Land Use Declaration Form. The applicant was asked to complete a Land Use Declaration Form to help make a determination of which basis of valuation should apply.</i> • <i>Letter July 2021 – Rating Structure Review: Stage 2 Update</i> • <i>Letter April 2022 – Rating Structure Review: Stage 3 Changing Methods of Valuation: Split Rating – Advice of Indicative Rates Payable and Request for Comment. The applicant was asked to complete a Land Use Declaration Form to help make a determination of which basis of valuation should apply.</i> • <i>Email December 2022 – advice of report to Council and consideration of objections and submissions</i> <p><i>The financial impact to the Shire is outlined in the Report to Council.</i></p>

The level of consultation by the Shire on the proposed changes has been inadequate. The letter dated 27 April 2022 allowing 21 days for comment is the first and only communication of the subject of the latest increases that I have received.

In my opinion there are several considerations with respect to rating of rural property.:-

- Many rural properties including our own are remote from the town and receive very little if any service from the Shire.
 - Increasing rates will discourage rural land-holders from establishing and/or operating businesses that can add to tourist attractions further from town. In the past such decentralization has been an objective of the Shire planning strategy.
 - Smaller of businesses out our way struggle to survive due to the quiet winter season and more recently travel restrictions due to COVID. These impacts are probably less severe with businesses closer to town.
 - If commercial activities on rural property are to be taxed then it should be on a sliding scale depending on the projected profit of the activity. For example 4 holiday chalets are going to yield much more income than rental of a cafe as we have on our property.
 - The GRV quoted in the indicative rate calculation in your letter is well above the rent we receive from the cafe on our property. Rents vary widely with factors such as distance from town, the nature of facility, and services provided.
 - I would like to see a breakdown of the financial impact to the Shire of the proposed rating changes, I suspect that the increase in revenue from rural property owners will not justify the financial hardship it will cause. I ask myself what additional benefit do I get from \$1800 in additional rates since 2020.
 - I understand that the Shire believes that it needs to raise its revenue base to service the Shire and in particular the town. If this is the case, then in my opinion, additional revenue should be raised by taxing short stay residential, and holiday accommodation in town to a greater degree rather than unrealistically levying rural property.
 - Assuming that Denmark Shire can justify increased rating revenue against other options such as reducing expenditure. There may be other more equitable ways of changing the rating system that doesn't discriminate against a group of rural property owners who have invested to secure the sustainability of their rural lifestyle.
 - If such changes are legal and publically acceptable then they should be phased in over a period of say 5 years.
- The rating changes applied and proposed over the last two years, supports the view that the Shire does not value its rural residents and sees its future as a vacation town such as Margaret River.

Where changes in valuations are made which result in significant increases in rate assessments on properties, local governments are urged to consider phasing in the valuations. Section 6.31 of the Act provides that valuations can be phased in where a determination is made by the Minister under section 6.28 of the Act to change the method of valuing land from UV to GRV.

The Shire has the option and will consider the phase in of GRV valuations on the rural properties provided by Landgate.

Your submission will be received and considered by Council at December 2022 Ordinary Council Meeting.

		I hope that further thought and consultation can take place before these changes are implemented.	
6	Singlefile	<p>Dear David,</p> <p>We established Singlefile in 2007 following our purchase of the property at 90 Walter Road in that same year and later established the Stash coffee roastery.</p> <p>Notwithstanding my review of the Shire correspondence, I was taken unawares by the quantum of the differential rate increase we received in the mail recently. I was aware of the potential for a rate rise, expecting it to be of the order of 15%, possibly even 20% in line with similar category properties mentioned in your early correspondence. I responded to the Land Use Declaration on 7 October 2020. I did not see the latest correspondence sent to me on 14 July this year, so failed to note that the differential rate was going to be substantially higher than this. However, it seems I would have been too late to pen a timely response anyway as submissions closed just a week later on 21 July.</p> <p>Our position is that we are fully supportive of the Shire's objective of:</p> <ul style="list-style-type: none"> • Objectivity • Fairness and Equity • Consistency • Transparency, and • Administrative efficiency. <p>The Shire's stated "objects and reasons" for the 70% premium on the base Rural rate for the Rural - Additional Use Commercial Category include "the rate recognises the impact of such properties on infrastructure and the environment, within the Shire"...and "to assist in meeting the additional costs associated with providing commercial related infrastructure and services". I believe there is unfairness and discrimination in the way the so-called differential rating has been applied. Furthermore, the manner of consultation of the 70% increase in the proposed rate was neither timely nor transparent.</p> <p>I do not understand why wineries are said to incur additional expenses for the Shire when compared with those incurred by, say, rural accommodation or simply farming pursuits such as running a dairy, and what is meant by "commercial related infrastructure" in a rural environment.</p>	<p><i>Noted and in response:</i></p> <p><i>The following consultation with property owners has occurred regarding the proposed rating changes:</i></p> <ul style="list-style-type: none"> • <i>Letter October 2020 - Rating Structure Review: Stage 2 Information Letter and Land Use Declaration Form. The applicant was asked to complete a Land Use Declaration Form to help make a determination of which basis of valuation should apply.</i> • <i>Letter July 2021 – Rating Structure Review: Stage 2 Update</i> • <i>Letter April 2022 – Rating Structure Review: Stage 3 Changing Methods of Valuation: Split Rating – Advice of Indicative Rates Payable and Request for Comment. The applicant was asked to complete a Land Use Declaration Form to help make a determination of which basis of valuation should apply.</i> • <i>Email December 2022 – advice of report to Council and consideration of objections and submissions</i> <p><i>A property is determined to be held or used for Rural Additional Use Commercial Purposes where the method of valuation used</i></p>

		<p>We contribute significantly to tourism in the region and provide employment for 20 town residents and also sponsor many local community events. It is unfair to be discriminated against by being singled out for being commercially active as a winery, while others choose to spend their time and investments in other ways. Furthermore, we invest in running our vineyard and orchard, and agist our neighbour's cattle, all of which are legitimate rural farming endeavours. We use tank water and pay for our own waste removal.</p> <p>Right now, we have no idea of the metrics behind the "split and spot rating" applied to our property. The predominant use of our land, as we declared, is for grape cropping, cattle raising and orchards.</p> <p>I would appreciate an explanation of how it is deemed fair and equitable to impose a substantial differential on a small number of ratepayers and I also question the transparency of this decision, given the long lead-up (notice of intention to levy differential rates, 3 July 2020) before the first direct correspondence mentioning the actual quantum on 14 July 2021.</p>	<p><i>for the property for the purposes of rating is the Unimproved Value (UV) of the property and where the property is operating approved non rural commercial activities. Where there is approved commercial activities or holiday accommodation over a quantity of four then this Rural Additional Use category will apply.</i></p> <p><i>Non-Rural Commercial Use – means all approved activity on rural land which is not listed under the term “Rural Use” for the purposes of the rating system. The term approved relates to Planning Approvals, Environmental Health Licences and Registrations, and Building Permits, from the Shire of Denmark, where applicable to the activity being undertaken.</i></p> <p><i>The adoption of the revised rating structure adopted in June 2020, mostly met the objectives of Council, but it was deemed some inequity in the rating of rural properties with multiple non-rural uses within the district still existed.</i></p> <p><i>Your submission will be received and considered by Council at December 2022 Ordinary Council Meeting</i></p>
7	Paul Nelson Wines	<p>With reference to applying a split rating method to Strata Property 34662.</p> <p>The Strata Titles Act outlines the method of rating for Strata Properties using 2 distinct but different methods. These are out lined in Division 4 - Rates, taxes and charges - section 69 and 71.</p> <p>Our legal advice considers it is questionable whether both methods can be applied to one Strata or which section may have preference.</p> <p>A move to GRV for part of the property will adversely affect some owners, as it becomes a personal liability outside the control of the Strata. These costs cannot be managed by the</p>	<p><i>Noted.</i></p> <p><i>A response to Paul Nelson Wines submission was sent on 28/05/2022:</i></p> <p><i>In response to your queries:</i></p> <ul style="list-style-type: none"> <i>• 21 days for comment or objection.</i> <p><i>You are correct. The comment period must be 28 days (we referred to the wrong section of</i></p>