Submission to Victorian Local Government Review

It is now widely believed that buying a home has become uncomfortably expensive. When the two main cost components of residential property, land prices and home building, are accounted separately it can also be seen that land is a significant proportion of both the belief and the reality. Residential land usually has little intrinsic value beyond its proximity to other amenities. For instance shops, schools, parks, public transport, health services, entertainment and so on; which are mainly due to investment by others. As the real estate industry proclaims “location, location, location.”

Councils are instrumental to communities for providing services substantially funded by rates on properties within the community. So the value of land alone is fundamental to community amenity (‘location’) and logically the basis of rate assessment. The lawful use of land also suggests that what is built or done on it should not then affect rate determinations. But the proposed Section 102 would mandate the exact opposite! Building a house should not routinely result in higher rate charges than on the site when still vacant. This is particularly so when some land may be kept vacant in anticipation of a higher selling price as a neighbourhood progresses.

Land may remain vacant, for many legitimate reasons, but simply being so for future profit could be seen as parasitically feeding off the investment of others. Hence it can be submitted that council rates should not be so constrained as in the proposed s.102; particularly in being denied an emphasis on such a crucial matter of primary site value. So-called “improvements” are the basis of neighbourhood and should not be discouraged or penalized by rate rises that indirectly subsidize those who profit from the investment of others.

Your consideration is invited, Most sincerely, Peter Boardman.