ATTACHMENTS FOR: AGENDA NO. 6/23 COUNCIL MEETING

Meeting Date: **Tuesday 27 June 2023**
Location: **Council Chambers, Level 1A, 1 Pope Street, Ryde and Online**
Time: **6.00pm**

ATTACHMENTS FOR COUNCIL MEETING

Item

3 FOUR YEAR DELIVERY PROGRAM 2022-2026 INCLUDING ONE YEAR OPERATIONAL PLAN 2023/24

Attachment 5 Response to Community Submissions - Fees and Charges

ATTACHMENT 5 – Community Submissions

Three (3) community submissions were received from the public exhibition of the the updated Four Year Delivery Program 2022-2026, and the Draft One Year Operational Plan 2023/24 and Fees and Charges.

Submission 1 - Received from a resident from Marsfield

Lights at waterloo park are currently not sufficient for all training, a safety concern as the spray is not wide enough to cover all areas whilst children training. There are dark spots all over the park at evening training. Therefore an upgrade on the lights will be a fantastic improvement.

Response and Recommendation from Executive Officer City Spaces:
Council has identified funding in the 2023/24 Operational Plan for the upgrading the lighting at Waterloo Park to increase the lighting levels that the infrastructure achieves. In the report to the June Council meeting seeking adoption of the Sports Field Action Plan, it is recommended by staff that the investigations for the feasibility to increase the active recreation capacity for Waterloo Park be prioritised to occur in the 2023 calendar year. This action is consistent with Council's adopted Sport and Recreation Strategy (2016).

Submission 2 – Received from a resident from Ryde

I believe with the amount of extra residents in the Ryde LGA that sportsfields will be used more and more and Ryde council will need to upgrade all the sportsfields and lighting at Waterloo Park to allow an decent spread of use.

(Spelling has been corrected here)

Response and Recommendation from Executive Officer City Spaces:

Council has identified funding in the 2023/24 Operational Plan for the upgrading the lighting at Waterloo Park to increase the lighting levels that the infrastructure achieves. In the report to the June Council meeting seeking adoption of the Sports Field Action Plan, it is recommended by staff that the investigations for the feasibility to increase the active recreation capacity for Waterloo Park be prioritised to occur in the 2023 calendar year. This action is consistent with Council's adopted Sport and Recreation Strategy (2016).

Submission 3 – Received from Sam Allsop, Director, Urbis Valuations Pty Ltd

Detailed submission opposing increase to the Business Major Retail Centre (Macquarie Centre) rating category. Reproduced in full below.

DRAFT OPERATIONAL PLAN 2023-2024

PROPOSED 2023-24 COUNCIL RATES FOR MACQUARIE CENTRE

We write in relation to the Draft Operational Plan 2023-2024 on behalf of AMP Capital, owners and managers of the Macquarie Centre, and specifically in relation to the proposed general rates charge for the shopping centre in 2023-24.

Introduction

Urbis operates a specialist Rating, Taxation and Advisory team which is widely recognised by both government and business as the leading independent expert/advisor in the area of statutory valuations, rating and taxation. We have a longstanding role as valuation advisors to the Shopping Centre Council of Australia (SCCA) and have been directly involved in all state-based reviews and parliamentary inquiries over the past 20+ years, including recent state-based assignments to provide evidence and/or detailed modelling and reporting in the following:

- 'ACT Standing Committee on Public Accounts – Inquiry into Commercial Rates';
- NSW (IPART) 'Review of the Local Government Rating System';
- QLD 'Guideline on Equity and Fairness in Rating for Queensland Local Governments';
- VIC 'Fair Go Rates System' (rates capping); and
- WA 'Local Government Act Review, Rates, Fees and Charges'.

Urbis are continually involved in local government rating policy matters including legislative compliance, differential rating, rating and taxation principles for the purpose of distributing the total rates burden and special rates in response to individual council policy.

Urbis are longstanding advisors of AMP Capital on rating and taxation matters and have been engaged to review the council rates charge proposed for the Macquarie Centre in the Draft Operational Plan 2023-2024. We have also had extensive involvement and are currently representing AMP Capital in ongoing objections to the statutory Land Values (LV) issued by Valuer General NSW for the Macquarie Centre.

Background

As you will be aware, the statutory LV for the Macquarie Centre has been increased substantially by Valuer General NSW over several revaluations dating back to the 1 July 2016 LV which was issued at $215M reflecting a +159% increase from the prior 1 July 2015 LV of $83.1M. AMP Capital lodged an objection to the 1 July 2016 LV on behalf of its tenants which was subsequently determined by the Land and Environment Court (the Court) at $188.3M in September 2022.

The Macquarie Centre is contained with a targeted rating category being the sole property within the 'Business - Major Retail Centre - Macquarie Park' category. The centre is also levied special ad valorem rate charges being the Macquarie Park Corridor levy, Special Infrastructure Renewal levy and the Environmental Management levy.

As the 1 July 2016 LV formed the basis of these charges from 2017-18 to 2019-20, the Court determination triggered refunds of $640K in council rate charges over this period (general and special rates).

We have reviewed the Draft Operational Plan 2023-24 and note the general rates charge proposed for the 'Business – Major Retail Centre – Macquarie Park' rating category is $2.718M being an increase of +$962K (+54.8%) from the prior general rates charge of $1.756M in 2022-23.

It is not clear from the Operational Plan or council minutes as to the basis of the proposed council rates charge, however it would appear the intent of the increase applied by council is to recoup the refunds due to the Court determination from the centre in a single financial year. If the council rates charge had increased in line with the 'rate peg' of +3.7% in 2023-24, the charge would have been $2.344M and accordingly the 'over collect' of $677K broadly aligns with the refunds as shown in the table below.

	Val. Date	Taxable Value	General Rates	Special Rates	Total Rates	%Δ	Variatio
FY23	Jul-19	$380,000,000	$1,756,854	$503,679	$2,260,533	Base	-
FY24 (Rate Peg)	Jul-22	-	-	-	$2,344,172	3.7%	-
FY24 (Issued)		$325,000,000	$2,718,924	$303,072	$3,021,996	33.7%	$677,82

The quantum of increase will directly and significantly impact the businesses operating within Macquarie Centre.

The quantum of the increase proposed by council will significantly impact the 350+ businesses operating within the Macquarie Centre as council rates are predominantly paid by the centre's tenants under NSW retail tenancies legislation and their individual lease agreements.

AMP Capital worked with its tenants to provide considerable rental support to help sustain their businesses through the COVID-19 crisis and into the future and the proposed increase will directly counteract this support. An increase of this magnitude could also not be supported in the current retail economic environment which is challenged by high inflation, significant and sustained increases in interest rates and other outgoings such as utilities, and ongoing labour force issues.

Accordingly, an increase of the magnitude proposed could not be supported by the centre's tenants, many of whom are also small to medium enterprises (SME).

The level of council rates at the Macquarie Centre are already excessive.

Urbis and the SCCA have developed a benchmark of statutory charges across SCCA member centres for the purpose of identifying councils applying discriminatory rating policy including those shopping centres that are deliberately targeted with centre-specific rating categories and premium ad valorem rates to deliver excessive council rate charges.

The Macquarie Centre is contained with a targeted rating category being the sole property within the 'Business - Major Retail Centre - Macquarie Park' category. Council also has a targeted 'Business - Major Retail Centre - Top Ryde' rating category which applies to seven assessments including Top Ryde Shopping Centre.

In 2016-17, the general rates charge for the Macquarie Centre was $992K or $7.4/m² of GLA which was above the SCCA benchmark of council rate charges for metro regional shopping centres ($5.4/m² of GLA in 2016-17) but broadly in line with the general rates charge levied on Top Ryde Shopping Centre ($6.2/m² of GLA).

If council had applied the 'rate peg' to the general rates charge for the centre in subsequent years, the general rates charge would have been $1.156M in 203-24. Instead, the Macquarie Centre has been targeted significantly since 2016-17 with the general rates charge of $1.744M in 2022-23 being some
$641K (+57%) above the charge had the 'rate peg' been applied. The $1.744M reflects $13/m² of GLA which is well above the SCCA benchmark of council rate charges for regional shopping centres ($8.3/m² of GLA in 2023-24). The $1.156M ($8.6/m² of GLA) would have aligned with the benchmark.

The general rates charge of $2.718M proposed by Ryde Council in 2023-24 exacerbates this inequity being some $1.562M (+135%) above the charge had the 'rate peg' been applied. The $2.718M reflects $20.2/m² which is approximately 2.5 times the SCCA benchmark of council rate charges for regional shopping centres in 2022-23.

Further, Ryde Council collected $10.497M in general rates from the centre between 2016-17 and 2022- 23 being some $3.098M above the charge had the 'rate peg' been applied over the same period. This 'over collect' will increase to $4.66M based on the proposed 2023-24 charge. We have summarised these calculations in the table below.

Accordingly it is clear the existing general rates charge at Macquarie has been excessive and inequitable over several financial years. We strongly believe policy reform is required to reduce the level of council rates to a more equitable and sustainable level, rather than the application of further substantial increases.

Fin. Year	Gen. Rates (Increased by Rate Peg)	'Rate Peg'	$/m² GLA	Actual General Rates	%Δ	$/m² GLA	Variation
FY17	$992,675	Base	$7.4	$992,675	Base	$7.4	$0
FY18	$1,007,565	1.5%	$7.5	$1,274,191	28.4%	$9.4	$266,626
FY19	$1,030,739	2.3%	$7.6	$1,482,705	16.4%	$11.0	$451,966
FY20	$1,058,569	2.7%	$7.8	$1,536,070	3.6%	$11.4	$477,501
FY21	$1,086,092	2.6%	$8.1	$1,710,433	11.4%	$12.7	$624,342
FY22	$1,107,813	2.0%	$8.2	$1,744,641	2.0%	$12.9	$636,827
FY23	$1,115,568	0.7%	$8.3	$1,756,854	0.7%	$13.0	$641,286
FY24	$1,156,844	3.7%	$8.6	$2,718,924	54.8%	$20.2	$1,562,080
Total	$8,555,864			$13,216,492			$4,660,628

The existing rating policy has delivered inequitable rating outcomes.

It is also clear that council's rating policy has delivered inequitable rating outcomes over several financial years.

In 2016-17, council collected $1.469M from its two shopping centre categories of which 67.6% was levied on the Macquarie Centre ($992K). The $992K equated to $7.4/m² of GLA which was broadly in line with the general rates charge levied on Top Ryde Shopping Centre ($6.2/m² of GLA).

Post 2016-17, the general rates charge was increased substantially at the Macquarie Centre with the proposed 2023-24 charge reflecting a +174% increase from the 2016-17 charge. In contrast, the general rates charge for Top Ryde Shopping Centre has decreased -52% over the same period from $476K to $230K. The outcome of this inequity is the proposed general rates charge at the Macquarie Centre in 2023-24 ($20.2/m²) is 6.7 times the general rates charge proposed to be levied on Top Ryde Shopping Centre ($3/m²) on a GLA basis as shown in the table below.

	Top Ryde Shopping Centre			Macquarie Centre			Shopping Centre Rating Categories		
Fin. Year	General Rates	$/m² GLA	Index	General Rates	$/m² GLA	Index	Total Rates	%, Top Ryde	%, Ma Cent
FY17	$476,461	$6.2	100.0	$992,675	$7.4	100.0	$1,469,136	32.4%	67.6
FY18	$199,467	$2.6	41.9	$1,274,191	$9.4	128.4	$1,473,658	13.5%	86.5
FY19	$232,108	$3.0	48.7	$1,482,705	$11.0	149.4	$1,714,813	13.5%	86.5
FY20	$240,462	$3.1	50.5	$1,536,070	$11.4	154.7	$1,776,532	13.5%	86.5
FY21	$206,152	$2.7	43.3	$1,710,433	$12.7	172.3	$1,916,585	10.8%	89.2
FY22	$210,275	$2.7	44.1	$1,744,641	$12.9	175.8	$1,954,916	10.8%	89.2
FY23	$211,747	$2.7	44.4	$1,756,854	$13.0	177.0	$1,968,601	10.8%	89.2
FY24	$230,791	$3.0	48.4	$2,718,924	$20.2	273.9	$2,949,715	7.8%	92.2

This level of inequity cannot be supported and contravenes a number of key taxation principles including the principle of Competitive Neutrality, which is defined in IPART's *Review of the Local Government Rating System (December 2016)* as follows:

> *"Competitive neutrality requires businesses competing with each other to be treated in a similar way. This principle is used to promote fair and efficient competition between public and private businesses."*

Accordingly, policy reform is required to reduce the level of council rates to a more equitable and sustainable level, rather than the application of further substantial increases.

The level of council rates at the Macquarie Centre are a barrier to tenant attraction and impacts investment decisions.

The excessive level of council rates (existing and proposed) levied on the centre and its tenants has created a barrier for the attraction of tenants into the centre. The level of the charge and its volatility also puts the Macquarie Centre at a competitive disadvantage to competing regional shopping centres in other Local Government Areas such as Castle Hill, Chatswood Chase and Westfield Chatswood in attracting and retaining tenants, and providing stability for their businesses.

The level of the charge and its volatility will also impact investment decisions on the centre relative to other development opportunities.

Moving Forwards

It is clear from the modelling herein that the existing general rates charge at the Macquarie Centre was already excessive following targeted increases over several financial years. Policy reform is required to reduce the level of council rates to a more equitable and sustainable level, rather than the application of further substantial increases.

Accordingly, we request an urgent meeting to discuss the council rates charge proposed for the Macquarie Centre in 2023-24.

AMP Capital are also keen to engage with council to discuss long-term rating policy reform as part of this process given the longstanding and strong working relationship, however clearly the quantum of the increase proposed by council cannot be supported by the centre and its tenants in the current retail economic environment and would be counter to the support provided to sustain its tenants through the COVID-19 crisis and into the future.

It should also be noted that there remain outstanding objections to the statutory LV's issued for the centre in the subsequent years including the 1 July 2019 and 1 July 2022 LV's which will impact council's ad valorem charges from 2020-21 to 2025-26. Whilst the outcome of these objections is still being determined by Valuer General NSW, there will be reductions in these LV's based on the methodology and assumptions determined by the Court. It would be beneficial for both council and AMP Capital to practically discuss these outcomes in the context of broader long-term rating policy reform.

We look forward to your response and meeting as soon as practicable

Kind regards,

Sam Allsop Director

Response and Recommendation from the Financial Controller:
Council's Rating Structure ensures a fair and equitable outcome for all Ratepayers. Council Officers will respond to this submission and explain Council's proposed Rating Structure methodology in further detail.