# Discretionary Rate Rebate on Vacant Land

Strategic Alignment - Our Corporation

Public

**Tuesday, 3 June 2025**

**Special City Finance and Governance Committee**

**Program Contact:**
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**Approving Officer:**
Anthony Spartalis, Chief Operating Officer

## EXECUTIVE SUMMARY

This report responds to a decision of Council at the 13 May 2025 Council meeting:

*"Noting that the previous Council approved a differential rate for vacant land in the City of Adelaide (including a discretionary rebate from paying that rate for a certain period), requests the Administration prepare a report for a Special Meeting of the City Finance and Governance Committee to be held on 3 June 2025 on the impacts of withdrawing the discretionary rebate from June 30, 2025."*

Under Section 166 of the *Local Government Act 1999 (SA)* (the Act), Council currently provides a discretionary rebate for vacant land. The rebate is designed to provide rate relief to the principal ratepayers of vacant land in certain circumstances.

The discretionary rebate is applied to vacant land holdings of less than five (5) years. The effect of the rebate is to reduce the differential rate to the non-residential rate, noting the time frames from planning through to construction,

In 2024/25, 22 discretionary rebates for vacant land to the value of $0.198m were provided. This report provides information on the properties for which the Discretionary Rate Rebate for Vacant Land was applied.

## RECOMMENDATION

The following recommendation will be presented to Council on 10 June 2025 for consideration

<u>THAT THE CITY FINANCE AND GOVERNANCE COMMITTEE RECOMMENDS TO COUNCIL</u>

<u>THAT COUNCIL</u>

1. Notes the information provided in this report on the impact of removing the Discretionary Rate Rebate for Vacant Land.

# IMPLICATIONS AND FINANCIALS

| | |
|---|---|
| City of Adelaide 2024-2028 Strategic Plan | Strategic Alignment – Our Corporation<br>Outcome – Financial Sustainability: Review the Rating System to ensure optimum outcomes |
| Policy | Any decisions of Council to alter rate rebates, rate in the dollar, or classification of land, would require changes to the Rating Policy. |
| Consultation | Section 151 of the *Local Government Act 1999 (SA)* requires Council to consult in accordance with Council's Consultation Policy, when making changes to: the basis of the rating of any land; or which land is valued for the purposes of rating; or the imposition of rates on land by declaring or imposing a separate rate, service rate, or service change on any land.<br><br>On this basis, changes to the Discretionary Rate Rebate would not require consultation. |
| Resource | Not as a result of this report. |
| Risk / Legal / Legislative | Sections 146-169 of the *Local Government Act 1999 (SA)* (the Act) detail the legislative requirements in relation to Council setting Rating Policy. |
| Opportunities | Not as a result of this report. |
| 24/25 Budget Allocation | Not as a result of this report. |
| Proposed 25/26 Budget Allocation | Not as a result of this report. |
| Life of Project, Service, Initiative or (Expectancy of) Asset | Not as a result of this report. |
| 24/25 Budget Reconsideration (if applicable) | Not as a result of this report |
| Ongoing Costs (eg maintenance cost) | Not as a result of this report. |
| Other Funding Sources | Not as a result of this report. |

# DISCUSSION

**Background:**

1. At its meeting held on Tuesday 13 May 2025, Council resolved:

   1.1. *"Noting that the previous Council approved a differential rate for vacant land in the City of Adelaide (including a discretionary rebate from paying that rate for a certain period), requests the Administration prepare a report for a Special Meeting of the City Finance and Governance Committee to be held on 3 June 2025 on the impacts of withdrawing the discretionary rebate from June 30, 2025."*

   1.2. The decision requested further information to support any future decision of Council on the ongoing use of the 'Discretionary Rate Rebate' for Vacant Land.

2. The City of Adelaide's Rating Policy aims to balance the five main principles of taxation:

   2.1. Benefits received – ratepayers who receive more benefits (services provided, or resources consumed) should pay a higher share of tax.

   2.2. Capacity to pay – a ratepayer who has less capacity to pay tax should pay less, and ratepayers of similar means should pay similar amounts.

   2.3. Administrative simplicity – minimal costs are involved in applying and collecting the tax and the tax is difficult to avoid.

   2.4. Economic efficiency – whether the tax distorts economic behaviour.

   2.5. Policy consistency – the tax should be internally consistent, and based on transparent, predictable rules that are easily understood and accepted by ratepayers.

3. In applying these principles, any decision with respect to rating should consider the financial effects of the decisions made today on the future generations of tomorrow.

4. At its meeting held on 8 June 2021, following community consultation of its Rating Policy, Council adopted a differential vacant land rate in the dollar for all property falling within the defined land use for vacant land.

5. The differential vacant land rate in the dollar on all vacant land holdings was put in place to:

   5.1. Provide a disincentive to withholding land from development

   5.2. Discourage land banking

   5.3. Recognise the cost of surrounding infrastructure and services.

6. The differential rate on vacant land is 200% of the declared residential rate (i.e. double).

7. The intent of the Policy was to apply a higher rate on all long-term vacant land holdings, with long-term being defined as five (5) years or more for land held by the current owner to take into account development time frames from planning through to construction.

8. At its meeting held on 29 June 2021, Council approved a Discretionary Rate Rebate for vacant land, under Section 166 of the *Local Government Act 1999 (SA)* (the Act). The rebate was designed to provide rate relief to the principal ratepayers of vacant land in certain circumstances.

9. It should be noted that there are a number of small parcels of vacant land on separate titles. These often form part of a rear garden, a side gate entrance or other small piece of adjacent land that may not be able to be developed in their own right. Where it is clear the land cannot be developed the rebate entitlements under Section 166 of the Act are currently applied.

10. The effect of the rebate is to reduce the differential rate (two times the residential rate) to the non-residential rate.

11. In 2024/25, 22 discretionary rebates for vacant land to the value of $0.198m were provided.

12. Based on the 2024/25 rating year, the following tables provide Council an insight into the application of the Discretionary Rate Rebate for Vacant Land:

    12.1. <u>Summary of Vacant Land (all) - valuations, rates and rebates:</u>

| Land Use | Number | Annual Assed Valuation (total) | Rates (total) | Rebate (total) |
|---|---|---|---|---|
| Vacant – no rebate | 26 | $2,106,200.00 | $470,299.00 | N/A |

| | | | | |
|---|---|---|---|---|
| Vacant – rebate | 22 | $2,288,400.00 | $510,983.15 | $197,903.86 |
| Incidental (small parcel) - rebate | 3 | $6,400 | $1,429 | N/A |
| **TOTAL** | **51** | **$4,401,000.00** | **$982,711.15** | **$197,903.86** |

12.2. Summary of where the 51 Vacant Land assessments are located:

| Street | Total | Street | Total |
|---|---|---|---|
| Archer Street NORTH ADELAIDE | 1 | Kermode Street NORTH ADELAIDE | 2 |
| Arthur Street ADELAIDE | 1 | King William Street ADELAIDE | 1 |
| Bagot Street NORTH ADELAIDE | 3 | MacKinnon Parade NORTH ADELAIDE * | 1 |
| Bentham Street ADELAIDE SA 5000 | 1 | Melbourne Street NORTH ADELAIDE | 1 |
| Brougham Place NORTH ADELAIDE | 1 | Mills Terrace NORTH ADELAIDE * | 1 |
| Buxton Street NORTH ADELAIDE * | 1 | Moger Lane ADELAIDE SA 5000 * | 5 |
| Charlotte Place ADELAIDE | 1 | Molesworth Street NORTH ADELAIDE | 1 |
| Childers Street NORTH ADELAIDE * | 1 | Penny Place ADELAIDE | 1 |
| Corryton Street ADELAIDE | 1 | Pirie Street ADELAIDE * | 1 |
| Crowther Street ADELAIDE | 1 | Power Street ADELAIDE | 1 |
| Elizabeth Street ADELAIDE | 1 | Selby Street ADELAIDE * | 1 |
| Ely Place ADELAIDE | 1 | South Terrace ADELAIDE * | 2 |
| Franklin Street ADELAIDE | 1 | Sturt Street ADELAIDE | 1 |
| Gilbert Street ADELAIDE * | 1 | Sultram Place ADELAIDE * | 1 |
| Gouger Street ADELAIDE | 1 | Tucker Street ADELAIDE * | 1 |
| Gray Court ADELAIDE | 1 | Tynte Street NORTH ADELAIDE * | 1 |
| Grenfell Street ADELAIDE | 1 | Wakefield Street ADELAIDE * | 2 |
| Halifax Street ADELAIDE * | 2 | Ward Street NORTH ADELAIDE * | 2 |
| Hallett Street ADELAIDE * | 1 | Wright Street ADELAIDE | 1 |
| Hutt Street ADELAIDE * | 2 | | |

**indicates a property location where the discretionary rebate for vacant land was provided in 2024/25*

12.3. Summary of Vacant Land (all) – based on valuation:
*excluding 'Incidental (small parcel)'*

| Annual Assed Valuation | Number (total) | Discretionary Rate Rebate (Vacant Land) received | | | |
|---|---|---|---|---|---|
| | | Number | Min Rates | Max Rates | Average Rebate |
| Under $10,000 | 8 | 1 | $2,210.60 | $2,210.60 | $8,526.17 |
| $10,001 - $30,000 | 12 | 5 | $2,657.15 | $6,531.30 | $2,140.41 |
| $30,001 - $50,000 | 10 | 4 | $6,754.60 | $9,824.85 | $3,194.41 |
| $50,0001 - $100,000 | 7 | 4 | $12,504.40 | $20,208.00 | $6,140.18 |
| $100,001 - $200,000 | 7 | 6 | $31,037.70 | $41,979.05 | $13,873.05 |
| Over $200,001 | 4 | 2 | $44,770.20 | $147,373.35 | $32,884.53 |
| **TOTAL** | **48** | **22** | **N/A** | **N/A** | **N/A** |

13. In summary, based on 2024/25 data, there is $197,903.86 provided to 22 assessments in the form of a Discretionary Rate Rebate (Vacant Land).

    13.1. The average rebate provided is $8,995.63. Noting that one assessment is currently receiving a rebate of $48,429.54. Excluding this property, for the 21 remaining, the average rebate is $7,117.82.

14. The following provides a 'real life' example of how the Rating Policy and Discretionary Rate Rebate for Vacant Land have been applied to a commercial assessment in the City:

**Stage 1: Vacant Land 2022/23**

| | |
|---|---|
| Valuation (Annual Assed Value) | $103,000 |
| *Vacant Land Rate in the Dollar (RID)* | *$0.2298* |
| Rates | $23,669 |
| Discretionary Rate Rebate | -$9,167 |
| TOTAL RATES | $14,502 |

**Stage 2: Development site 2023/24**
*(assumed at 5% Capital value of the proposed Development and for this example, at 40% complete)*

| | |
|---|---|
| Valuation (5% of Capital Value) | $136,000 |
| *Non-residential RID* | *$0.1408* |
| Rates | $19,149 |
| Discretionary Rate Rebate | No longer available |
| TOTAL RATES | $19,149 |

**Stage 3: Completed Development (Office)**

| | |
|---|---|
| Valuation (Annual Assed Value) | $1,699,000 |
| *Non-residential RID* | *$0.1408* |
| Rates | $232,445 |
| Discretionary Rate Rebate | No longer available |
| TOTAL RATES | $232,445 |

# DATA AND SUPPORTING INFORMATION

**Link 1** - Rating Policy

# ATTACHMENTS

Nil

- END OF REPORT -