

30th of May 2018

Mr Ray McDermott
Manager Financial Services / CFO
City of Karratha
Welcome Road Karratha WA 6714

Dear Councillors

RE: Differential Rates – Transient Workforce Accommodation
Lot 10 and Lot 550 Cherratta Road Karratha WA 6714
Lot 570, 1068 and 1069 King Way Karratha WA 6714
Lot 1062 Mooligunn Road Karratha WA 6714

On behalf of the owners of MAPT Developments, Velocity NW Pty Ltd and Karratha Village, I am formally objecting to the proposed differential rates that are being recommended for the 2018/2019 financial year.

Since 2011, our business has experienced a significant increase in the rate in the dollar, and the overall amount's that we have been charged annually by the City of Karratha. As mentioned in previous years objections, our rate in the dollar has now increased from .0901% (2011) to the proposed .379455% (2018), of our GRV, whilst we have, and are continuing to experience significant decreases in our occupation and revenue, and the room rates we are able to achieve, in the current market conditions.

Table 2 below summarises the proposed 2018/19 minimum payments and rates in the dollar for GRV:

Table 2: Proposed differential rates for 2018/19 financial year (GRV)
Including average rate per assessment

Differential Rates 2018/19				
Category	Proposed Minimum Payment	Proposed Rate in the Dollar	Proposed Average Rate per Property	Change in Average Rate
Gross Rental Value	\$	\$	\$	%
Residential	1,519.00	0.116284	2,230	2.18%
Commercial	1,519.00	0.097836	6,761	2.10%
Industrial	1,519.00	0.099413	7,407	2.17%
Airport / Strategic Industry (GRV)	1,519.00	0.153391	72,789	2.00%
Transient Workforce Accommodation / Workforce Accommodation	1,519.00	0.379455	240,809	0.39%

We have reviewed the table above, and the objectives and reasons for the 2019 proposed differential rates and strongly disagree with the commercially irrational and the disproportionate percentage being proposed. This is especially so, when compared with commercial, industrial and specifically tourism zoned accommodation assets, who not only service the tourism market, but also target transient workforce clients whilst we respect our zoning and our limitations.

In recent time, we have also been severely affected by the proposed changes brought about by Amendment 39, which has seen the planning department moving forward with an amendment to our zoning.

We understand from advice sought from Hotchkin Hanley, that unlike special area charges, the basis for the imposition of the differential rates is not to recover costs due to the land use, but rather to make up for budget deficits.

The City is presently sitting on significant cash reserves and is looking to invest this money into commercial ventures to increase its revenue to enable less reliance on differential rates. We understand that the City's infrastructure is expensive to run, but we do not believe that this operational cost should be covered by landowners that have been severely impacted by falling property values.

We also understand that there are only two key areas that our objection can be based, that is either that the specified zoning or purpose of the land is incorrect, or that the proposed levy is more than double normal general rates, which will require Ministerial consent, prior to being proposed to the landowners.

We have reviewed the letter's received for Lot 10 and lot 550 Cherratta Road, Lot 570, 1068 and 1069 King Way and Lot 1062 Mooligunn Road Karratha and refer to the following:

1. Paragraph 2 refers to the potential for TWA properties to have a greater impact on services/assets than other properties due to the number of occupants in a relatively small land parcel.

Taking our legal advice into account, the City cannot use this as a reason for an increase to the differential rates, as proposed. We request that this be reviewed by council further to confirm if this statement, as tabled in previous years, is simply a justification to increase the levies against TWA properties, disproportionately to commercial, industrial or tourism zoned land.

We would also refer the councillors to the RFF TWA report released by the KDCCI. Occupation at all TWA villages, from our understanding, is well below the number of rooms available. Considering the proposed Woodside Village being discussed at present, occupation of most, if not all TWA villages in the next 2 years is expected to drop to below 20% of available rooms. This, along with room rates decreasing by more than 66% over the last 5 years, will see this proposed differential rating being one of the biggest imposts to our business survival.

By way of an example, Cherratta Lodge is an employer of more than 45 Full Time Equivalent local employees, and contributes more than \$4 000 000 locally, into the Karratha economy. The flow on effect as an employer is significant and needs to be considered as a part of this review.

2. Paragraph 3 notes that all GRV rated properties are revalued by the Valuer Generals Office (VGO), every 3 years (this year being a revaluation year). With the proposed decrease in value of 14%, our properties will see an increase in the dollar to maintain the same percentage of rating yield.

TWA properties will also see an increase of 2% in rates payable on our land, as you have used a model that supports your comments to maintain your GRV revenue.

The VGO has not valued our properties as TWA villages, but has again used the same model that is used for Hotels/Motels and Tourism operated businesses. As we do not operate in this space, and we are limited to providing services to construction and operational workforces, we believe this method is flawed and requires further consultation.

After speaking to the VGO's office this month, this year's valuation has simply proceeded using a formula or method which has not considered the changes due to Amendment 39, not considered the correct use of our land, and has applied occupancy and rate assumptions which are not equal to the current market

conditions. The VGO's office did not know about the RFF TWA report, nor the proposed changes to our land use, due to Amendment 39.

We have advised the VGO that we will work with them, to provide additional information so we can achieve a current market GRV on our land. However, while the council is simply adjusting the percentage being charged to achieve the same revenue, we would like our objection reviewed prior to working further on achieving a true current market valuation.

3. Council states that it has considered key values included within the rating policy differential rates (s.6.33) being Objectivity, Fairness and Equity, Consistency, and Transparency and Administration efficiency.

We do not believe that these values have been applied to the GRV review for TWA land use owners and operators in Karratha, for many years. As privately owned and operated facilities, our approved use has seen our contribution through land rates to the City's budget steadily increase, with no consideration of market conditions.

We request that the council seek further information around the proposed differential rates for the 2018/2019 year, and we would recommend that all commercial businesses/ land owners should equally share the cost to ensure that the City of Karratha can meet its proposed budget requirements.

We believe that a fair position would be for TWA use land to be included within the Commercial, Tourism/Town Centre or Industry/Mixed Business land use as per our proposed zoning change under Amendment 39. This would result in a decrease to the amount of rates payable by TWA land use owners, and result in a fair adjustment across the board for all Commercial, Tourism/Town Centre or Industry/Mixed business land use owners moving forward. We request that this be discussed by the councillors prior to approving any differential rates for TWA use land this year.

We would welcome the opportunity to discuss our objection further.

Thanking you in advance,

Regards



Aaron Polini
Director - MAPT Developments and Cherratta Lodge

Cc: malcolm@cherrattalodge.com.au
derek@laferla.net.au
kevin@velocitynw.com.au
dpark@outlook.com.au