

Frequently Asked Questions (FAQ)

Jerberra Estate, Proposed Special Rate

# ****Why do landowners have to pay for the infrastructure? Why can’t other rate payers across the city contribute?****

* Since resolving to investigate the Estate’s zoning in 1992, it has been Council’s position that the full cost of rezoning and providing infrastructure on the land is to be met by the landowners.

* Special rates can only be levied on properties that will benefit from the works/services or will generate demand for the works/services.

# ****Why can't Council use general funds to pay for the work?****

* Council does not have funds available to undertake the work.
* The only way the work can be funded by Council is through a special rate funded loan.

# ****What funding arrangements are proposed for the infrastructure development?****

* It is proposed that Council will borrow the money required to complete the work and recover this, including interest, through a special rate levy.
* Before Council is able to borrow the money, it will need approval from the NSW Independent Pricing and Regulatory Tribunal (IPART) for a ‘Special Rate Variation’ (SRV).
* This approach provides financial certainty and allows the costs to be spread over a number of years.

# ****Why is Council seeking to provide infrastructure?****

* The provision of sealed roads, road drainage, and electricity infrastructure will modernise the Estate, enabling the lots within it to be developed under the Estate’s new planning controls.
* Without essential infrastructure, the Estate as a whole cannot be safely developed.

# ****How much is the infrastructure going to cost?****

* Detailed designs and cost estimates were completed in August 2014.

* The total cost estimate is $7.2m, comprising $5,434,400.00 for road infrastructure and $1,765,600.00 for electricity infrastructure.
* These amounts include appropriate contingencies. (Note: if the actual cost is less, the special rates will be adjusted downwards once the work is completed.)

# ****Why does this cost differ from the 2012 Planning Proposal?****

* A preliminary estimate of $2.9m included in the 2012 Planning Proposal did not account for several significant project costs such as initial earthworks, tree removal and project management.
* The electricity infrastructure cost estimates were based on overhead infrastructure but it is now clear that underground infrastructure (which is considerably more expensive) must be provided to the more densely developed parts of the Estate.
* The costings used in 2012 substantially underestimated the total cost of providing essential infrastructure for the Estate.

# ****How long will it take to build the infrastructure?****

* Provided the necessary easements are in place, it is anticipated that the infrastructure will be completed within two years of securing finance.

# ****What is the term of the proposed loan?****

* Council’s preferred loan period is 10 years, but will consider 15 or 20 years depending on feedback from landowners.
* Council’s policy is that loans should not be taken out over more than 20 years, given the financial risk associated with longer term loans.
* The 5 year option included in previous documentation has been removed based on initial landowner feedback.
* The special rates will apply for the length of the loan period, whichever is chosen.

# ****What will the interest rate on the loan be?****

* Council have an established credit rating that will enable Council to secure the required funds at a competitive rate.
* A rate of 6% has been assumed in the calculations but it will depend on prevailing interest rates when the loan is taken out.

# ****What are the advantages and disadvantages for the different loan periods?****

|  |  |  |
| --- | --- | --- |
|  | **Advantages** | **Disadvantages** |
| **Shorter loan period** | Lower total amount of interest.  Less time that the special rates will apply which may impact on property values.**1** | Higher annual rates. |
| **Longer loan period** | Lower annual rates. | Higher total amount of interest.  More time that the special rates will apply which may impact on property values.**1** |

1 Whilst completion of the infrastructure is expected to have a positive effect on property valuations, the special rates are expected to have a negative effect. Once the special rates no longer apply it is expected that property valuations become comparable with similarly zoned and serviced land elsewhere.

# ****Can I opt to pay for the work upfront to avoid paying interest?****

* Yes, but any such arrangements will need to be finalised prior to levying rates for 2015/2016.

# ****How much will the new special rates be?****

The loan for the infrastructure would be repaid through two separate special rates:

* Road infrastructure special rate. This will replace the existing road construction special rate and will apply to all properties within the Estate.
* Electricity infrastructure special rate. This will apply to properties that are partly or wholly zoned ‘E3 – Environmental Management’ or ‘E4 – Environmental Living’. It **will not** apply to the properties that are entirely within the ‘E2 – Environmental Conservation’ zone.

**The attached property list shows which special rates will apply to each property in the Estate.**

* Properties for which both special rates will apply are ‘Group A’ properties.
* Properties to which only the road infrastructure special rate will apply are ‘Group B’ properties.
* The Valuer General’s valuations for Group A properties are generally considerably higher than for Group B properties, and this influences the special rates.

**Group A Estimated Properties Average Annual Special Rates 2015/2016**

Table 1 – Forecast average special rates for ‘Group A’ properties (see attached property list)1

|  |  |  |  |
| --- | --- | --- | --- |
| **Annual special rates2** | **Loan period** | | |
| **10 years** | **15 years** | **20 years** |
| Road infrastructure | $5,691 | $4,018 | $3,407 |
| Electricity infrastructure | $2,011 | $1,527 | $1,295 |
| **Total** | **$7,702** | **$5,545** | **$4,702** |

1 Based on rate assessment data and valuations at {insert date} and may vary before rates are set for 2015/2016.

2 Does not include existing rates. Note that the existing road construction special rate will cease upon commencement of the new road infrastructure special rate.

**Group B Estimated Properties Average Annual Special Rates 2015/2016**

Table 2 – Forecast average special rates for ‘Group B’ properties (see attached property list)1

|  |  |  |  |
| --- | --- | --- | --- |
| **Annual special rates2** | **Loan period** | | |
| **10 years** | **15 years** | **20 years** |
| Road infrastructure | $2,958 | $2,245 | $1,903 |
| Electricity infrastructure | nil | nil | Nil |
| **Annual Total** | **$2,958** | **$2,245** | **$1,903** |

1 Based on rate assessment data and valuations at {insert date} and may vary before rates are set for 2015/2016.

2 Does not include existing rates. Note that the existing road construction special rate will cease upon commencement of the new road infrastructure special rate.

# ****How can I find out the new valuation for my land?****

* The Valuer General issues a Notice of Valuation to landholders to advise them of their new land value that will be used in the calculation of [council rates](http://www.valuergeneral.nsw.gov.au/council_rates).
* Notices of Valuation are issued prior to the land value being used for rating purposes to ensure the landholder has the opportunity to consider the land value first.
* Notices of Valuation are usually issued every three to four years.
* Notices for Shoalhaven City Council ratepayers are due to be issued in early February 2015.
* However, land value information will be available on the Land and Property Services website on 12th January 2015 at the following address: <https://shop.lpi.nsw.gov.au/wps/portal/lpma/lpi-shop/land-values>

# ****Will the special rates change from year to year?****

* Yes. The above amounts are averages for 2015/2016.

* The average special rates will potentially increase over the course of the loan as properties get amalgamated.
* Over time, as properties get amalgamated in the Estate, special rates will increase because the loan repayments will be shared by fewer rate payers.

* The Estate’s planning controls allow up to 87 dwellings to be approved in the Estate.

* Currently there are 138 rate assessments, 18 of which have no prospect of forming part of a developable lot.

The rate at which properties are amalgamated is unknown. If all of the amalgamations occur within the life of the loan, the average annual special rates will potentially increase by up to 35% from amounts shown above.

# ****Can I find out exactly how much my rates will be?****

* At this stage Council can only give an estimate of what your rates might be.
* Contact the Rates Department on (02)4429 3368, if you require further information.

# ****What happens if IPART doesn’t approve the Special Rate Variation application?****

* Council will not be able to coordinate the provision of essential infrastructure, which in turn will impact on the ability of properties within the Estate to be developed.
* If the application is not approved, the Estate will continue to be in a state of limbo until such time that a funding arrangement is put in place.

# ****What will happen to the existing special rates?****

* Most of the properties in Jerberra Estate are currently paying three different special rates:

1. Rezoning special rate – this will cease on 30 June 2016.
2. Road design special rate – this will cease on 30 June 2016.
3. Road construction special rate – this will be replaced by the new infrastructure special rate subject to its approval by IPART.

# ****If I sell my land will I continue to be required to pay the special rate in the future?****

* No, the rates would be payable by the new owner of the land.
* Outstanding rates and charges are normally negotiated between the vendor and the purchaser before agreeing on the sale/purchase price.

# ****What will happen if I cannot pay my rates?****

* If property owners cannot afford to pay the rates they have the option of selling the land.

* Unpaid rates will accrue as a debt on the land and Council may take action to recover the debt.

* Under Section 713 of the Local Government Act 1993, Council can sell the land if any rates and charges are outstanding for more than five years.

# ****Under what legislation can Council levy special rates?****

Section 495 of the Local Government Act 1993 (LG Act) provides the basis for the levying of special rates. It states:

1. *A council may make a special rate for or towards meeting the cost of any works, services, facilities or activities provided or undertaken, or proposed to be provided or undertaken, by the council within the whole or any part of the council’s area, other than domestic waste management services.*
2. *The special rate is to be levied on such rateable land in the council’s area as, in the council’s opinion:*
3. *benefits or will benefit from the works, services, facilities or activities, or*
4. *contributes or will contribute to the need for the works, services, facilities or activities, or*
5. *has or will have access to the works, services, facilities or activities.*

The proposed special rates are consistent with the above legal provisions.

# ****My property is unable to be developed unless it is amalgamated. Why should I have to pay for the road and electricity infrastructure?****

The road and electricity infrastructure will benefit all properties that can potentially form part of a developable lot. See information above on S 495 of the LG Act.

# ****My property is in the “E2 – Environmental Conservation” zone and is unable to form part of a developable property. Why should I have to contribute to the road infrastructure?****

The road infrastructure will provide improved access for all properties in the Estate. See information above on S 495 of the LG Act.

# ****I am happy living in the Estate, why doesn’t Council just leave me alone?****

* Currently there are numerous unauthorised structures in the Estate.
* Letting this situation continue indefinitely is not an option.
* It is important that all existing unauthorised structures in the Estate are either regularised via a development application process, or removed.
* Council will be making a concerted effort to ensure this occurs. Landowners are encouraged to be proactive to avoid the prospect of legal action.

# ****Does Council need to consult with landowners before introducing the new special rates?****

* Yes, Council will continue to consult with affected landowners.
* A landowner survey has been prepared to seek feedback and gauge the level of support. It is important that you take this opportunity to provide feedback regardless of whether you support or oppose the proposed special rates.

# ****When does the application for Special Variation need to be made?****

* The Special Rate Variation application must be submitted by 16th February, 2015.

# ****When will we find out if the special rates will be levied?****

* Council will receive notification from IPART in mid May 2015 with regard to its decision on the Special Rate Variation.

# ****When will the new special rates be introduced?****

* If the special rate variation is approved, the new special rates will apply from 1 July 2015 for the period of the loan.

# ****Why did Council collect rates if the zoning did not allow the land to be developed and what happened to the rates that were collected?****

* Council is obliged under the Local Government Act (1993) to levy rates on privately owned land which has a rateable land value. Except for special rates, money collected from rates goes towards Council general fund which is used to fund projects, works and services to all residents, landowners and visitors throughout the City.
* Special rates are collected for a specific purpose and do not go into general revenue.
* The money collected from the Jerberra Estate special rates has only been spent on Jerberra Estate and any unspent funds from these will go towards the delivery of infrastructure for the Estate.
* Currently, there are two different special rate levies that apply to most of the properties in Jerberra Estate:
* **Rezoning and road design special rates**: these were introduced on 1/7/2006 to repay fixed term (10 years) loans taken out by Council. These special rates will cease on 30/6/2016.
* **Road construction special rate**: This was introduced on 1/7/2008 (at landowners’ request) to allow construction of the gravel ‘spinal route’ road. This special rate will be replaced by a new ‘infrastructure’ special rate.

Income and expenditure for each of these is updated quarterly on Council’s website at:

<http://shoalhaven.nsw.gov.au/Planningamp;Building/Strategicplanning/Papersubdivisions.aspx>.

Any unspent funds from the existing special rates will be transferred into the Jerberra Estate infrastructure budget.