

29 March 2019

The Local Government Act Review
Department of Local Government, Sport
& Cultural Industries
264 Vincent Street
Leederville
WA 6007

Submitted by email to:
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Community Housing Industry Association WA (CHIA WA) comments on the Local Government Act Review regarding Rates Exemptions

1.0 Introduction

This submission is made by CHIA WA on behalf of its members¹, with whom it has consulted in preparing the submission. We welcome the review and the opportunity to provide comment and feedback: there is no doubt that clarity on the issue of rates exemptions for charities will benefit all parties.

2.0 Background

CHIA WA is the industry peak for community housing providers (CHPs) in WA representing over 30 providers, covering more than two-thirds of the 9,000 community housing homes in WA.

All but one of CHIA WA's members are registered charities² with a range of missions covering disability, mental health, seniors, crisis and emergency care, refuges, homelessness, and social housing. What they all have in common is that they provide charitable housing on low rents to people on very low incomes who could not otherwise afford housing.

¹ With the exception of our one local government authority member, which has made its own submission to the Review and declined to comment on CHIA WA's submission.

² The one exception is the local government authority noted in footnote 1.

Community housing organisations thus provide an important service to the community whilst receiving little or no government funding: the costs of housing provision must be met from the low rents charged on the homes.

The CHP housing portfolio is held in a mix of tenures ranging from freehold and strata through various joint venture arrangements to houses which are head-leased from the Department of Communities.

The Local Government Act currently provides that all land is rateable unless it is listed as exempt. Land used exclusively for charitable purposes is exempt from rates. As noted above, all but one of CHIA WA's members is a registered charity.

Exemption from rates confers a significant financial benefit for our members, enabling them to provide additional housing and/or services to their tenants/clients that would be lost or would have to be otherwise funded by government if the rates exemption was lost. We carried out a survey of our members in order to establish the extent of this benefit, the results of which are provided below.

3.0 Rates survey

CHIA WA carried out a survey of its members between January and February 2019 to ascertain the extent to which rates exemptions are claimed.

Fourteen CHPs filled in the survey, representing 4,840³ rateable residential properties (some 54% of the total stock owned/controlled by CHPs and approximately 73% of the stock owned/controlled by CHIA WA members⁴).

All but one of the 14 respondents stated that they claim rates exemptions⁵. The one organisation that does not claim owns one property.

³ The Department of Communities (DoC) has also recently collected data on the number of community housing providers claiming rates exemptions. Of the 37 NFPs (as opposed to local authority CHPs) who completed the survey, 30 had received rates exemptions. These 30 CHPs manage just under 5,000 dwellings: 16 of these providers manage 20 dwellings or less. This thus provides a very similar picture to that obtained by CHIA WA in its survey, albeit that the DoC's survey included a larger number of smaller providers. The DoC did not collect data on the dollar figure of rates exemptions claimed. *Source: Department of Communities Community Housing Study Stage 2 Survey (unpublished, provided).*

⁴ These percentages will be an understatement as the 9,000 figure is based on dwellings whilst CHIA WA's rates survey is based on rateable residential properties: a lodging house with 100 rooms is 100 dwellings but only 1 rateable property.

⁵ Being exemptions on the rateable land component, our members still pay for rubbish removal and the other services on the rates notice.

The median number of rateable residential properties owned/controlled by the respondents is 68, with the total ranging from 1 to over 1,800.

The median number of local authority areas covered by respondents is 6.5. Four respondents had properties in over 20 LA areas (the highest being 32) and 4 had properties covering only 1 LA area.

Out of their total 4,840 rateable residential properties, respondents successfully claimed rates exemptions on 1,564⁶ properties in the current financial year, comprising a total of some \$2,175,000.

Despite their charitable status, the community housing providers in our survey nevertheless pay rates on some 3,276 dwellings each year, comprising some 68% of their stock. It is not clear for how many of these properties:

- CHPs had made a rates exemption claim which the local authority refused to grant;
- Rates exemptions claims were still outstanding for the year; or
- CHPs had decided not to apply, or not to press the matter on first refusal, in some or all of their local authority areas because of the time and resource which would be taken up trying to exercise their legal right to a rates exemption.

Clearly, however, charitable community housing providers are not currently benefiting to anything like the full extent of the rates exemptions they are entitled to.

Anecdotally, some of our members in regional areas, where they have a relationship with only one local authority, do pay rates in full but report benefiting from the close relationship with the LA who give them land and other benefits in kind to help subsidise their work.

4.0 CHIA WA'S position on rates exemptions

The Act currently provides that all land is rateable unless it is listed as exempt. Land used exclusively for charitable purposes is exempt from rates. All but one of CHIA WA's members is a registered charity.

As noted in the discussion paper, the meaning of "land used exclusively for charitable purposes" is not defined in the Act. This lack of clarity has not been to the benefit of either community housing providers or local authorities, as much time and resource is lost in debating whether exemptions are due or not.

⁶ The larger providers responding to the survey reported that they obtained rates exemptions on approximately 22% of their properties.

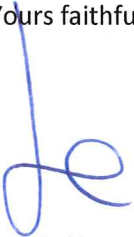
Whatever the outcome of the review, **CHIA WA supports the need for clear definitions setting out when rates exemptions/minimum payments are due to community housing providers** and CHIA WA would be happy to assist in working out the detail of those definitions.

Such clarity will, hopefully, result in consistency of approach from all local authorities. The current regime is applied differentially across local government, which creates uncertainty for our members. **CHIA WA supports a clear and consistent approach to the issue of rates exemptions.**

CHIA WA's position is that the loss of rates exemptions for charitable community housing providers will significantly reduce the amount of money available to our members to provide low cost housing and support services to those in most in need in WA. If rates exemptions are lost other parts of government will need to step in and fund these services or, as is more likely the in the current fiscal climate, these services will be lost.

For this reason, **CHIA WA seeks the retention of the rates exemption on for charitable community housing providers.**

Yours faithfully



Jennie Vartan
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