

ELECTED MEMBERS' BRIEFING SESSION COVER SHEET

Date of Workshop:	16 December 2024
Subject:	Commercial Rate for Short-Stay Residential Accommodation
Department:	Corporate Support
Presenter(s):	Max Murawsky, Strategic Finance Projects Lead Alex Brown, General Manager Corporate Support
Session:	Open to the public.
Attachments:	

PURPOSE

This briefing follows on from the briefing held on 6 May 2024, where the option of levying a commercial rate on residential properties offering short-stay residential accommodation was presented.

This briefing presents an analysis of information obtained regarding properties that are currently identified as providing short-term rental accommodation within the Council area, including the potential rates impact if a commercial rate was to be applied to these properties.

The Administration is seeking feedback on key policy principles to guide:

- the preparation of a draft policy position, and
- a proposal for how a commercial rate would be implemented.

A report will then be prepared for Council in early 2025 to consider whether it wishes to proceed with community consultation on applying a commercial rate for short-stay residential accommodation.

DISCUSSION

Background

An Elected Member Briefing on 6 May 2024 advised Council that it could pursue the option of charging a commercial rate for short-stay residential accommodation if it can evidence the predominant land use of the property is 'tourist accommodation' as distinct from 'residential land'.

Tourist accommodation is defined as "*premises in which temporary or short-term accommodation is provided to travellers on a commercial basis*" and comes under the land use category of '*commercial – other*'.

The Briefing held in May outlined the process that Council would need to undertake to implement a commercial rate for short-stay residential accommodation, and posed the following questions for consideration:

- The threshold of what constitutes short-term rental tourist accommodation, as opposed to long-term rental? For example, a property is available to be booked for a period of less than 29 consecutive days.
- Would the change in land use apply if only a proportion of the property is available as a short-term rental (e.g. a room, separate storey or a wing)? If so, the threshold will need to be determined, noting that land use is based on the predominant use of the land.
- If implemented, would Council wish to:
 - Only recover the cost of identifying and applying the 'tourist accommodation' land use, and redistribute any additional income to offset rates for existing rate payers, or
 - Increase total general rate revenue. If so, Council would need to determine the basis for collecting the increased rates.
- Prior to proceeding, Council should review the policy objectives and consider if they are likely to be achieved by charging a rate in the dollar approximately 2.5 times higher than the residential rate in the dollar.

While there were a variety of views on the rationale and benefits of applying a commercial rate, there was general consensus that the Administration should engage a service provider to identify the number of short-term rentals to inform modelling on the impact to rates income.

Identifying residential properties available for short-term rental

An initial dataset was sourced from Deckard Technologies in early October 2024. It identified properties available for short-stays for the 2023-24 and 2024-25 financial years based on the available data.

The initial data analysis identified the following:

- **156** live listings, of which **127** are considered 'whole property'
- For the 2023-24 financial year, **89** whole properties were available for 183 or more nights of the year
 - **85** of these properties were able to be linked to a rates assessment, noting that 7 of these were manually identified and linked to an assessment by Council's Administration.
 - **4** properties were unable to be linked based on the information provided.
- The average nights booked across these properties was **33%**.
- Current average capital value of the 85 properties is **\$899,000**.
 - The average general rate (residential) for these properties is presently \$1,753.
 - 32 properties are presently on the minimum rate of \$993.

A further breakdown of the identified properties will be provided in the briefing presentation.

Application of the *Commercial – Other* Differential Rate

As provided in the following table, the Council has previously declared three differential rates across the nine principal land use categories permissible under Section 14 of the *Local Government Regulations 2013*:

City of Unley Rate Category	Land Use (Differentiating Factor)	2024-25 Differential Rate in the Dollar
Category 1 – Residential	Residential	\$0.001797
Category 2 – Commercial Shop et al	Commercial – Shop	\$0.003866
	Industry – Light	
	Industry – Other	
	Vacant Land	
	Other	
Category 3 – Commercial Other	Commercial – Office	\$0.004611
	Commercial – Other	

As advised previously, *tourist accommodation* comes under the land use category *commercial – other* rate which is 155% higher than the residential rate.

If the identified properties were rated as *commercial – other*, general rate income would increase by approximately \$203,000 based on the 2024-25 valuations and differential rates in the dollar.

The average general rate for these properties would increase to \$4,477 (2024-25 financial year), with no properties on the minimum rate of \$993.

It is expected that there will be some variance between this presented estimate (based on 2023-24 data and 2024-25 valuations and rates) and the actual increase in rates, as the number of properties available for short-term rent will fluctuate.

Other Councils

The only South Australian Council to apply a commercial rate for short-stay residential accommodation to date is the City of Adelaide. They first applied the commercial rate this financial year, 2024-25. It should be noted the City of Adelaide’s differential commercial rate for 2024-25 is 22% higher than their residential rate.

The Administration understands other South Australian councils are presently investigating options to apply a higher differential rate to short-stay residential accommodation properties.

Key Considerations

The Administration has commenced drafting policy provisions for the application of a commercial rate for short-stay residential accommodation. To finalise a draft policy position for Council's consideration, guidance is required on the following:

- If a commercial rate is applied to properties offering short-stay residential accommodation, should Council:
 - Only recover the cost of identifying and applying the 'tourist accommodation' land use, and redistribute any additional income to off-set rates for existing rate payers; or
 - Increase total general rate revenue. If so, Council would need to determine the basis for collecting the increased rates, noting that the additional income would represent a 0.3-0.4% increase in general rate income.
- If a commercial rate is applied, would a general rate increase of approximately 150% (two and a half times the residential rate) achieve the desired policy objectives?

Next Steps

Subject to guidance received at the Workshop, the Administration will proceed with the drafting of a policy position in a report to Council in early 2025. The report would consider:

- The implications of a proposed increase in general rates for properties offering short-stay residential accommodation;
- The parameters proposed for determining a residential property's predominant land use as 'tourist accommodation';
- How affected property owners would be notified of the change in land use determination and the process to appeal the determination; and
- Details of the cost and resourcing implications of identifying, monitoring and applying the change in land use on an ongoing basis (presently estimated to be approximately \$20,000 per annum).

The report would also recommend a proposed approach to community consultation of a proposed commercial rate for short-stay residential accommodation.

If Council resolves to proceed with community consultation, the consultation will need to be completed either before, or as part of the community consultation on the Draft 2025-26 Annual Business Plan and Budget, and prior to final consideration of rates for 2025-26.

Specific Questions for Members

1. If a commercial rate is applied to properties offering short-stay residential accommodation, should Council:
 - a) Only recover the cost of identifying and applying the 'tourist accommodation' land use, and redistribute any additional income to off-set rates for existing rate payers, or
 - b) Increase total general rate revenue?
2. If (b) is the preferred approach, what would be the basis of collecting the additional rates?
3. Would levying a differential rate approximately 150% (2.5 times) higher to residential properties offering short-stay residential accommodation achieve the policy outcome that Members are seeking to achieve?

SPEAKERS

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THE BRIEFING IS OPEN TO THE PUBLIC

- *The cover sheet is a public document*