

**Submission
No 76**

INQUIRY INTO LAND VALUATION SYSTEM

Organisation: Randwick City Council
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Position: Acting General Manager
Date Received: 8/03/2013

CF (F2008/00113)
(Contact Officer: [REDACTED])

8 March 2013

The Chair
Joint Standing Committee on the Office of the Valuer General
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Mr Kean,

Re: Randwick City Council Submission: Inquiry into the Land Valuation System

Randwick City Council welcomes the opportunity to provide a submission to the NSW Parliament Joint Standing Committee on the Office of the Valuer General on the inquiry into the land valuation system.

Randwick City is located in the eastern suburbs of the Sydney metropolitan area bounded by Centennial Park in the north, to the East by the Pacific Ocean, and to the south by Botany Bay. It has an area of 37 square kilometres and contains thirteen different suburbs with housing density highest in Randwick, Coogee and Kingsford.

49 per cent of dwellings (25,275) in Randwick City are apartments housing 44% of the population (50,222) (Census 2011). The number of apartments is expected to increase because:

- Demand for housing is strong due to the area's proximity to employment centres, education and health facilities, growing transport infrastructure and aesthetic and cultural characteristics.
- The Draft Sydney East Subregional Strategy (2007) sets a target of 8,400 new dwellings in Randwick City between 2004 and 2031, focused around existing centres and transport corridors.
- Randwick Council planning reviews indicate the majority of new dwellings over the next 20 years will be concentrated in business centres such as Maroubra Junction, Kensington, Kingsford and Matraville ([Randwick Residential Discussion Paper Appendices August 2011](#)). New dwellings in these locations tend to be multi story apartment blocks.
- The provision of urban renewal projects (Urban Activation Precincts) announced by the State Government for a large area of Randwick for medium density development. This is envisaged to provide well over the 8,400 dwelling target set in 2007.

Issue

While land values have no impact on the amount of rates a Council will raise, they are the basis of the ad valorem rating system used to distribute rates across the City. The



intention of the use of land values is to ensure there is a capacity to pay component to each council's rating structure. However, the Council has found that in Randwick City land values do not reflect a ratepayer's capacity to pay, especially for strata properties. There is **inequity in the valuation system** between strata and non-strata properties.

The land value apportioned to strata properties is very low with no relevance to the actual market value of the property or the owner's capacity to pay. For example, the rateable land value of a 285m² four bedroom penthouse apartment in Coogee with ocean views is \$271,150. The property attracts the minimum rate, despite a market value of almost \$2m. A 240m² four bedroom semi in Clovelly also valued at \$2m is charged double the minimum rate due to its \$743,000 land value.

The land value apportioned to apartments in high rise buildings is especially low resulting in very low rates under an ad valorem system. Two bedroom apartments in a new high rise building located in Maroubra Junction have only been apportioned a rateable land value of \$41,790, despite their market values being in excess of \$630,000 each.

Best practice in other jurisdictions

The Australian Centre for Excellence in Local Government provides a good summary of the different valuation systems used in local government across Australia in the 2011 report "[Rating policies – an ad hoc or principled balancing act?](#)" (Comrie, Smirl and Sody). Refer to Table 2 on page 24. In respect of urban councils, their research has found the majority of states across Australia either mandate or provide the option to use Capital Improved Value:

	Legislation	Unimproved Land Value	Site Value	Capital Improved Value (CIV)	Rental Value (RV)	Comment
NSW	Mandated	X				
Vic	Choice		X	X	X	73/79 use CIV
Qld	Mandated		X			
Tas	Choice		X	X	X	29/29 use RV
SA	Choice		X	X	X	57/68 use CIV
WA	Mandated				X	
NT	Mandated	X				

Inequity in the valuation system between non-strata and strata properties is causing inequity in the local government rating system. This is a growing issue in inner city areas such as Randwick City where the number of strata properties is increasing. Greater flexibility to choose the valuation system appropriate for each council is required in NSW. A move from land values to capital improved values is required in an urban area like Randwick City to address this issue.

Should you have any questions regarding this submission please contact [REDACTED]
[REDACTED] Manager Business Performance Projects, on [REDACTED] or
[REDACTED]

Yours faithfully,

[REDACTED]

Sima Truvert
Acting General Manager