Submission No 12

INQUIRY INTO LAND VALUATION SYSTEM

Name: Mr Raymond Sweetman

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[redacted]

[redacted]

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SUBMISSION to the JOINT COMMITTEE
ON THE OFFICE OF THE
VALUER GENERAL

INEQUITY OF THE CURRENT SYSTEM

Under the current system where the valuations are used by local government to determine rates payable on individual properties, it has no regard for the service provided by local government for each property. It is possible for adjoining property owners to pay a different rate, depending on the VG. Yet each is provided with exactly the same service by the local council. As an example [redacted] Gymea is a small cul-de-sac consisting of some twenty homes. A list of a number of these is enclosed. Of the eight properties listed there are no less than three different values placed on them by the last Valuer Generals valuation. Therefore there are three different amounts to be paid by owners, depending on their respective valuations. Yet all owners enjoy exactly the same benefits that their council provides. This could be described as a wealth tax, with no relevance to "service provided". Therefore there is, I believe a need to consider a more equitable method of determining local government rates.

Some years ago Sydney property owners paid water rates based on the Valuer General's Assessed Annual (rental) Value AAV. Again this had no relationship to the user pays concept i.e. based on the amount of water used. There was the ludicrous situation of someone, say a business couple, owning a property in Vaucluse, valued at $2.5m with a corresponding high AAV, paying much higher water rates than a family of five owning a property in the western suburbs with a much lower valuation and therefore a correspondingly lower AAV. Yet the family would undoubtedly use much more water. With the fitting of water metres virtually on all properties, the government of the day, to its credit introduced the "user pays" system.

Surely it is time that a similar approach is taken to devise a more equitable way of setting council rates. As an example, I suggest perhaps that the respective council set its annual budget for the year and then divide it by the number of individual properties (registered by the Registrar General Certificate of Title) recorded with council. This would cover such developments as duplexes, villas, town houses and multi storeyed unit blocks as each has a certificate of title. Levies could be placed on commercial and industrial properties, as they do now by having a higher rate in the dollar than for residential. This could be based on the number of leases that are attached to developments such as shopping centres and industrial estates. Looking at my own local council, I can see that people who currently live in the much lower valued areas would object to paying the same rates as someone who owns a much more highly valued property, such as water fronts, under this suggestion. Actually I would be in that position, but why shouldn't this be the case? Those that live in the wealthy areas pay the same for the cost of day to day items, such as public transport, food, electricity, gas, motor vehicle registration, insurance etc. as do those in the lower valued properties. The pensioner discounts could be still allowed to help the less fortunate. The government of the day would have had to face these same objections when changing the method of charging water rates.

PROBLEMS WITH THE EXISTING SYSTEM

Following the 2008 general revaluation, I, and three of my neighbours, realising that there was, at least to us, errors made in setting the various valuations, lodged objects. As one of them had not made a formal objection his was not considered [redacted]. Although one of the others had submitted an objection [redacted], it was rejected as it did not comply with the requirements of the Land and Valuation Act. However, mine and one of the other neighbour's [redacted] objections were accepted.

The following is submitted for the Commission's consideration on the basis of my experience when I lodged my objection. I have attached relevant documentation.

I first advise that I am a retired qualified Real Estate Valuer and although my practice was only in commercial/retail real estate, I am not, I believe, without some knowledge of the principles involved in the residential valuation process. As I pointed out during my "negotiations" with the Valuer Generals, Real Estate Valuation practice is not a precise science. I note that the state political reporter for the Sydney Morning Herald, Sean Nicholls, in his front page story in Monday 28th January 2013, edition of that newspaper states, and I quote "The Valuer General Phillip Western, could not be contacted for comment on the inquiry. He has previously said discrepancies exists because sometimes new information has come to light which alters the valuation AND THAT IT IS NOT AN EXACT SCIENCE" End of quote and the highlighting in the last paragraph is mine. At least we agree on one thing!

Cases before the Land and Valuation Court invariably rely on the evidence presented by two valuers, one representing the appellant and the other representing the respondent. Their valuations may very widely, but ultimately, the court decides on which of the two valuations was more soundly arrived at. Usually there is no case of negligence on the part of the "loosing" valuer as valuation of Real Estate is accepted as not being an exact science.

My neighbour and I based our objections on the basis that there was inconstancy between ours and other valuations placed on other properties in [redacted] by the Valuer General. Whilst both the Valuer General and the independent valuer who was appointed to investigate my objection, both stated that, under the Valuation of Land Act., comparisons between the Valuer Generals valuations were not permissible evidence, the independent valuer did raise this on page three, last paragraph under the heading "RESPONSE TO MATTERS RAISED IN THE OBJECTION", in his valuation report (copy attached). I did raise this, at the time with the Valuer General's; asking if this would be investigated. No response was ever received by me! I mention that when the Independent valuer appointed to review my neighbour at [redacted] Valuer General's valuation, inspected the property, both my neighbour and I had the opportunity to speak to him. He also agreed that he couldn't understand why different valuations had been placed on the various properties in [redacted] but as with my independent valuer, stated that under the Act he could not give consideration to these and could only consider evidence as laid down under the Act. Again, as with the valuer appointed for my property, he could only confirm the Valuer General's valuation as being correct.

I now refer to the then Minister for Lands formal reply to my objection dated 11th September 2009 a copy of which is attached.

In items a) b) and c) All values have been based on the area and frontage of all blocks.

In the case of a) the difference in the areas is 25square meters, or.045%. The variation in frontage is only .61 metres 3.5% variation.

In the case of b) the variation in areas is 38 square metres or .077%. The variation in frontages is 7.99 metres or 98.8%!

In c) Whilst I don't have the valuers for all the properties the Minster lists here, I do have them schedule) for [redacted] (see my attached copies of the VG's notice for each property)and they are $429,000 NOT THE $446,000 STATED IN HIS LETTER. On page 2 of his letter, he details the reasoning behind the setting of the respective values. The following are my comments on these.

Regarding the differences between the frontages of [redacted] and [redacted], he states "...and the SLIGHTLY smaller differences.... "(The highlighting is mine). In group a) above the difference is only .61 metres, only a "slightly" difference I would concede. However a difference of 7.99 metres (group b) I

would hardly call "slight" [redacted] frontage is virtually half that of [redacted] Incidentally the frontage of [redacted] is 11.07 metres and although not admissible evidence, I mention it because it also highlights, the inconsistency, I believe, in the arguments the VG makes in defence of his valuations.

He also states that because [redacted] has a wider rear this may appeal (to a prospective purchaser?). This is speculative with no firm evidence to support this statement. Elsewhere in his letter, to support higher valuations, he states that the bigger frontage allows for potential double garage beside the house and thus justify the higher value. Was this taken into account when setting the values placed in [redacted] and [redacted]? He also stated that [redacted] was further into the cul-de-sac which may also appeal. Again with respect, this is purely speculative without any evidence to support it. In actual fact, this can be a disadvantage. In these "fan" shaped blocks houses, to obtain maximum width for the home, are invariably placed well back and behind the building alignment set for the street, as is the case at [redacted] and [redacted]. This makes it somewhat difficult when backing out of the drive way in that the vehicle must be much further out off the property before the driver can check for oncoming traffic. In actual fact [redacted] and [redacted] are both set farther back than [redacted] is not in the cul-de-sac and sits on the set street building alignment, and thus creates this problem for [redacted] and [redacted]. [redacted] is set well back, more so than [redacted] and [redacted]. At night time motor vehicles travelling up [redacted] and turning around to proceed down the street have their headlights shine right into [redacted] bedrooms windows. I would suggest that a prudent purchaser would take this into account. Maybe speculative on my part, but it is there to see that this is possible. Under the Act, valuers in setting their valuation must ignore improvements to the property but can give regard to surrounding improvements. What I set out above is there to see and I believe proof to support my claim, rather than the speculative claim made by the VG. As to the inference by the VG's suggestion that the wider rear of [redacted] would offset the disadvantage of the narrower frontage, I believe that it could be equally argued that buyers are more likely to consider a broader frontage over narrow frontage blocks that have a much broader back line, for the very reason the VG states when he argues the advantage of larger frontages over the narrower frontage i.e. double garage.

The reference to [redacted] being more attractive because it is closer to the cul-de-sac and having a wider rear, is, again I suggest, speculative and have no proof that that would be the case. I find it difficult to accept the VG's statement that [redacted] has a "slightly" narrower frontage! To what? It has nearly twice the frontage of [redacted]

Whilst I accept that there are many factors that Councils, as the Minister states in his letter, take into account when setting their rate in dollar BUT it is then applied to the value set by the VG. This does not alter the fact that it does result in neighbours paying different rates depending on the value placed on their property by the VG. While the Minister goes to great lengths at the end of his letter to state why he should not interfere with the way in which the VG operates (and I agree entirely with him on this) one would have hoped that I had presented enough evidence for him, as the responsible Minister to have my claims investigated with the view to having the Valuation of Land Act amended accordingly. In fact, doing at that time, what this Committee is now charged with. Even if there was indisputable evidence, when comparing the various valuations set by the VG, that the VG had been negligent when determining these valuations, this would not be admissible in any court proceedings, due to the provisions in the Act. Does this mean that the VG is infallible? If so maybe his office should be in Vatican City! I don't suggest for one minute that this in fact was the case when lodging my objection. It simply highlights, I believe, that valuers can come up with different valuations on a property depending how they would analyse the evidence. I think that much of what I present above clearly shows that valuation of Real Estate is not an exact science and for the most part is speculative and relies on the individual valuers skill in interpret ting the evidence of sales information and making certain adjustments so that it can be applied to the property subject to his/her valuation.

The Minister also sets out avenues I could have pursued had I not been satisfied with the decision made on my objection. Why didn't I proceed? First of all my objection relied mainly on the inconsistencies between the various valuations the VG made on properties in [redacted] Such

evidence is not accepted by the Court. Well known to the Minister. What does this suggest on the "transparency" of the VG's actions when he can, dare I say, hide behind this provision! The overall effect on the variation of council rate charges was of such somewhat little significance, that it didn't warrant the cost of court action. Most of the rate payers in the street are elderly and aged pensioners. Court proceedings can both be costly and traumatising to the elderly, so all in all it was seen as being a somewhat futile action for us to take.

This submission is in no way intended to have the Committee have my objection reviewed (which is not its brief). This has long been closed as far as I'm concerned. Nor is it intended as a criticism of the way the Valuer General operates accepting that some of my comments might seem to be a little cynical. He is bound to act only in accordance with the provisions of the Act. It is the Act that is at fault in my view, not the actions of the valuer General, although I would debate some of the conclusions he has come to in setting the various valuation s, as I have stated earlier in my submission. It is submitted to the Commission as I believe it presents actual examples that justify, if not a whole new approach to setting Local Government Rates, then at least a need to review the Land and Valuation Act. Maybe it could lead to the Committee coming up with a better way for councils to set their rates and get away from the inexact science where valuations are based on for the most part, speculative assumptions that lead to differences of opinion between valuers where neither are strictly right or wrong! It would, I believe, reduce the costly and time demands on the judiciary involved in the appeal process.

What I set out above, I think warrants reviewing by the Committee. This would seem to come under the Committee's charter in looking at the Valuer General's actions and that they are indeed transparent. Respectfully submitted for the Commissions consideration.

[redacted]

R. J. Sweetman