

**Submission  
No 108**

## INQUIRY INTO LAND VALUATION SYSTEM

**Name:** Name Suppressed  
**Date Received:** 8/03/2013

*Partially Confidential*

Mr John Miller  
Joint Committee of the Office of the Valuer General  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

[REDACTED]  
Double Bay NSW 1360

6 March 2013

Dear Sir

**RE: SUBMISSION - INQUIRY INTO THE LAND VALUATION SYSTEM**

Thank you for conducting this inquiry and for allowing me the opportunity to participate. I enclose my Submission with annexed Summary, together with exhibits.

I am a self-funded retiree, nearing 70 years with no Superannuation and intended to rely on my investment returns to fund my retirement. I have three investment properties: two are rented for less than when I commenced renting them and one has remained static. All holding costs including, strata levies, rates, insurance and Land Tax have increased. My Land Tax liability for the same 3 properties has increased from \$9,273.95 in 2005 to \$25,000.00 plus each year from 2010 to 2013, i.e. more than \$100,000.00 for the past 4 years.

As all properties are mortgaged and the Darling Point properties have decreased in value since I purchased them, I have been waiting for an upturn in the market so that I can sell them but I have not been able to afford the enormous increase in my Land Tax and have been working for the past 12 months just to pay the Land Tax. I do not object to paying Land Tax but I know of many examples where properties have been sold for millions more than the total value of my units, yet the Land Tax levied has been only a few thousand dollars.

Using the Valuer-General's values, my three properties have nearly doubled since 2005. If that were the case, I would have certainly sold them by now, rather than return to work at this stage in my life. I do hope that your enquiry will result in a more fair and equitable valuation system being put in place and that this leads to amendment of the Land Tax legislation to allow for current self-funded retirees, with no Superannuation, being granted some relief from the New South Wales and/or Federal Government.

I do not receive any form of benefit from the Government, nor have I ever, and cannot understand a State Government that forces me to sell my retirement savings to then become a burden on fellow taxpayers merely because the valuation/Land Tax system has, in my case, been so unfair and inequitable.

Thank you for giving consideration to my Submission.

Yours faithfully

[REDACTED]  
[REDACTED]

Encs

## ANNEXURE SUMMARY TO SUBMISSION OF [REDACTED]

### **The Henry Tax Review - assertion that NSW valuation system favours strata holdings:**

A. This may be the case where all the individual strata owners have holdings of equal size, aspect and value **and** during the valuation process nothing changed that would diminish the value of the minority holders (refer the case where a new building could affect the view, privacy, light and amenity of owners in one part of the complex but not the majority).

B. It does not take into account the strata schemes with many holdings of varying size, aspect, value and the like and relies on the unit entitlements calculated by the original developer to remedy this aspect. This is a defect of the Strata legislation and an ongoing problem for many minority owners where the unit entitlement has not been properly calculated at the outset, or their value has diminished due to circumstances beyond their control. It is not possible to get the majority of strata owners to agree to a re-allocation of unit entitlements *that would increase their liability for strata levies, special levies, rates and Land Tax.*

C. In large strata complexes (particularly those built in the 1960's) in areas of high land values 100% of the owners would never agree to sell their holdings as they could never afford to live in such an area again. Neither would current local government ordinances allow the over-development that occurred in that period through to the 1970's. Refer the attached valuation for the land at my Thornton Street, Darling Point property: in excess of \$40 million. No developer would be interested in purchasing such a property to be permitted only to build about 1/3rd of current holdings. Thus, comparing a site of this size with smaller sites in the area and simply increasing the value on a square metre basis is not practical, fair or equitable.

If the current system continues then the valuations of owners in the above situation should be based on sales in their complex with allowances for variations in quality, size, aspect, etc with the land value also taking into account the replacement value of the improvements. There should also be allowances for the cost of construction of a holding of the same size and quality in the near vicinity as in Sydney building costs in the inner suburbs is always higher than in the outer suburbs.

D. The owner of a non-strata holding is issued with a valuation from the previous year and that owner can develop and increase the size of the improvements, thus achieving a much higher capital gain and this option is not open to a strata holder who cannot increase the size of their property. Further the non-strata owner has complete control over the management/development of his land. A strata owner is subject to the rules of the majority and is thus rendered powerless to control bad decisions concerning his strata lot.

### **The Valuer-General's Objection Process re Strata Holders:**

This objection process favours non-strata owners. As stated above I have no control over:

i) New activities, such as growth of trees or new developments that completely obliterate my harbour views and thus render my unit much less valuable. (Thornton Street: The Owners Corporation consented to the removal of a Covenant benefiting our land, to allow a 6 storey development adjacent to my property severely obliterating my view and amenity and that of only one other unit in the complex. I lodged an objection with Woollahra Council in 2008 but the development went ahead.)

ii) Obtaining approval from the majority of strata owners to reduce a unit entitlement to reflect diminished value is impossible. (Annandale Street: The previous owner converted it to a 2 bedroom unit; because of the lift shaft and the conversion I have 4 hallways and my living space and bedrooms are of similar size to those units with a unit entitlement nearly one-half of mine. I

approached the Owners Corporation with a view to decreasing my unit entitlement but with 21 smaller units and the remaining 2 being three-bedroom units, no other owners would agree.) I have also lost a lot of my northern views because of an out of control Moreton Bay Fig tree. I cannot achieve as high a rental for a 2 bedroom unit as for the original 3 bedroom, nor would my sale price be as high.

iii) Although Darling Point properties have decreased in value my valuations and Land Tax have more than doubled.

iv) I am aware of a unit in "President Towers", Darling Point Road. This complex sits entirely on its own private area with 4 street frontages with only one unit per floor and is considered one of the finer complexes in Darling Point. It could rent for between \$2,000.00-\$3,000.00 per week and would sell for between \$3-\$4 million yet Land Tax on that single holding decreased this year to \$6,000.00. My values increased and I certainly could not achieve \$3 million if I sold both properties yet my valuations are nearly \$2 million with Land Tax in excess of \$25,000.00. Also refer attached photos of property in Bellevue Hill which sold for \$2.6 million in May 2012 with Land Tax based on \$649,000.00. A 152 square metre unit in Randwick which sold in mid 2012 for \$1 million + was assessed with a VG Land Tax of \$225,000.00. My Annandale Street unit would sell for a similar price but my VG is nearly \$900,000.00. Further the comparable valuations are in Wolseley Road, Point Piper, the most expensive street in Australia and 9th most expensive in the world. I attach newspaper articles re Point Piper and a photo of my humble 1960's unit block. The completely unfair and cavalier way my properties have been valued, with little prospect of any objection being upheld, because current legislation does not assist me in meeting the criteria in place for strata holders, is grossly unjust.

Some years ago I spoke to a representative at the Valuer-General's Department and was informed that less than 1% of objections are successful. A few years later, in 2011, I even went so far as to get a kit, but it was so complex and the sales details of other properties could not be obtained, without employing the services of a Search Company, whose fees I could not afford, so I could not complete the objection application and I did not want to reduce my Council Rates for each complex, just the Land Tax. Commencing on 3 August 2011 to mid August 2011, I was then telephoned many times by a Mr Greg Coyle purporting to be from the Valuer-General's Department who refused to give me his contact details and as he rang at weekends and often after 8.00 pm in the evenings, I felt I was being harassed and when he continued to ring me after hours, I simply hung up.

### **Generally:**

1. Because of NSW legislation, local councils in Sydney are encouraged to approve as many high density housing projects as possible, and even had to fill quotas under the previous government. This has occurred to my property at Thornton Street as outlined above and it has decreased in value.
2. The Valuer-General's kit says its valuations take into account the maximum development of the land. But against this, and against above legislation, a multi-storey block of flats was demolished in Annandale Street a few years back and replaced with only 2 dwellings. The "Jean Colvin" Hospital, corner Loftus Road/Annandale Street was recently sold to a family who will use it as a single dwelling. A multi-storey block of flats, corner Mona Road/Darling Point Road, is currently being rebuilt by Rabinowitz Architects as a one family home. I certainly approve of these changes but such use of the land is not in accord with the criteria used by the VG, i.e. maximum use of land [*development*].
3. Residential owners are mostly disadvantaged as against commercial owners, as usually commercial properties achieve higher rents, the outgoings (including Land Tax) are often paid by the lessee and the premises usually suffer less damage caused by tenants.