

INQUIRY INTO LAND VALUATION SYSTEM

Organisation: LUNNEY WATT & ASSOCIATES PTY LTD
Name: Mr Adrian Watt
Position: Director
Date Received: 28/02/2013

I understand that the Inquiry is focusing on the nature of the land valuation system, and having been involved in this system for at least approximately 8 years, I am of the opinion that it does deliver on each of the criteria for most of the time. However I also appreciate that a lot of adverse publicity has occurred in recent years following a number of interesting Court decisions (many with which I have difficulties accepting) that might suggest that the whole land valuation system is broken, which is very misleading.

As noted in my earlier email my firm has been a primary Rating & Taxing Valuation Contractor for the past 6 years, with today being the final day of our Contract after deciding not to submit a tender to renew the Contract when it was advertised for Tender in October last year. During these 6 years we have experienced directly the continuing improvement in the land valuation system brought about by the significant continued improvement of the Procedures Manual issued by Land & Property Information to Rating & Taxing Valuation Contractors.

Nevertheless the basis of my submission is for the inquiry to consider whether the maintenance of the land valuation system (or for that matter any system based on value) delivers, in the eyes of the stakeholders, consistent outcomes that meet the criteria specified on page 3 of the Issues Paper. In my opinion a fact based system, rather than an opinion based system, would deliver a more sound and more consistent basis for rating and taxing.

I also declare that I am a member of the Submissions Committee for the Australian Property Institute. This API Committee is finalising a submission for the Inquiry focusing naturally on the land valuation system. It does not explore my submission as detailed in this email.

Thanks for the opportunity to provide this brief submission.

Regards

Adrian Watt *B.Bus(L.Ec) AAPI*

Director

LUNNEY WATT & ASSOCIATES PTY LTD

Property Valuers & Consultants

I read with interest the article "Challenge to NSW values" in today's Financial Review which includes your comments in relation to the Valuation of Land Act in your capacity as chair of the parliamentary committee on the Office of the Valuer-General.

My firm is currently a contractor to Land and Property Information and we deliver annual values for the districts (council areas) of Penrith, Hawkesbury and Blue Mountains. I also regularly get briefed by the Crown Solicitors Office in relation to appeals to Land Values lodged before the Land & Environment Court and have provided evidence in many matters before the Court. In addition I undertake many valuations for compulsory acquisition purposes and also get briefed to appear for the relevant acquiring authority before the Court.

I have a number of firm views on the variety of issues that seem to affect valuations made under the Valuation of Land Act and also those made under the Land Acquisition (Just Terms Compensation) Act that may be worth discussing with you. Due to my contractual relationship with LPI (and therefore the Valuer-General) I would be reluctant to appear in front of the Committee at the current time.

One major issue that might be worth considering, however, is changing the basis for the calculation of council rates and reducing or eliminating land tax at the same time. A system that does not rely on value would be preferable ensuring the rating base remains secure by removing any perceived links in rates to changes in market values. It would also remove risks to the security of the rating and taxing revenue by changes brought about by issues associated with land contamination and objection reviews/appeals as examples.

Such a system should be based on the actual improvements (in gross floor size) on the land and the use to which they are being put. A local council, assisted by other contracted professionals, over a relatively short period could establish the gross floor area of all built improvements in their area, and could then apply their required rates recovery as a \$/m² GFA assessment, subject only to minimum rates to reflect vacant land and/or grossly underdeveloped parcels, and the different rating levies available under the Local Govt Act. Land Tax could be absorbed into the same basis of assessment and some rebalancing of other grants could be done to ensure that no council is worse off.

No doubt it would require some work to finesse such a change, however the current system based entirely on value is arguably neither fair nor equitable and is difficult for the public to really understand, particularly when land values are falling and rates are rising. I am sure that the public would understand the simplicity of seeing that someone with a larger house would pay more in rates than someone in a smaller house in the same street.

I look forward to the opportunity of discussing this with you at an appropriate time.

Regards

Adrian Watt B.Bus(L.Ec) AAPI
Director
LUNNEY WATT & ASSOCIATES PTY LTD
Property Valuers & Consultants