

## **INQUIRY INTO LAND VALUATION SYSTEM**

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**Position:** Equity Party  
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Friday, March 8, 2013

Joint Committee on the Office of the Valuer General  
Parliament House  
Macquarie St  
SYDNEY NSW 2000

Dear Mr Kean and Members of the Committee

### **Inquiry into the Land Valuation System**

Robertson & Robertson are current contract Valuers that provide statutory valuations on behalf of the Valuer General of NSW for Cessnock, Dungog, Gosford, Lake Macquarie, Maitland, Newcastle, Port Stephens and Wyong local government areas. Currently we provide about 12% of the statutory valuations produced annually in NSW.

We support the current Land Valuation System in NSW and the use of unimproved land value as best practice for rating and taxing purposes. We acknowledge the vast improvements to the system made by the current Valuer General since the Ombudsman Report Recommendations of 2005 in terms of quality assurance measures.

We also recognise and support the need for still greater efficiency, transparency, predictability and equity and make the following suggestions for improvements for your consideration:

#### **Amend the Base Date**

We support the recommendation of the Ombudsman Report, "Improving the Quality of land Valuations issued by the Valuer General" of 2005 to amend the base date to **March 1** in the year of valuation. This would improve valuation outcomes by allowing contract valuers more time to prepare the valuations for delivery and the Land and Property Information (LPI) to complete satisfactory statistical checks and quality control of recommendations prepared by contractors.

#### **Sales Analysis - exclusive of GST**

The analysis of all sales used to determine statutory values should be exclusive of GST, otherwise in essence this is a "tax on a tax". Land tax and rates are being levied upon the valuation outcomes; that are being determined and applied through the analysis of comparable sales evidence. When GST is included within the sales analysis, then the statutory valuations being used to levy land tax and rates are higher than they would be if the GST liability was removed (tax on tax reference). This is particularly relevant for commercial, industrial and development sites where the tax status of the parties involved in the transaction and purpose of the purchase affects GST liabilities in different ways.

We consider all of these properties should be valued based on the analysis of sales that are analysed exclusive of GST.

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This one issue seems to be different to the Queensland Rating & Taxing situation and generally all other valuations for other purposes, such as mortgage valuations and asset valuations.

### **Register of Environmental Offset Lands**

Environmental Offset Lands that are being purchased have not been identified or dealt with by the Valuation of Land Act or LPI Procedures to date.

We have been advised as a current Rating & Taxing Contractor not to include the additional value paid for an environmental offset purpose into either the land value of the offset land or the other land that benefits from the offset, usually a site being developed.

From a practical perspective, we would like to see a single register in NSW of lands used for the environmental offset purposes, to help identify these properties. This should be a publicly accessible register similar to existing contamination registers and the like.

Particularly for this issue, it seems like a case where the market is changing and the legislation and policy makers are struggling to keep up.

### **Valuation of Contaminated Lands**

In recent years, technical directions have been released by the LPI about the valuation of these lands, utilising the existing provisions of section 6A(2) of the Valuation of Land Act. However the Valuation of Land Act does not consider contamination as an issue.

The current advice and provisions for the treatment of contaminated lands for statutory valuations have been interpreted from the existing provisions of the Valuation of Land Act to include this complex land characteristic.

The Contaminated Land Management Act treats the remediation and management of contaminated lands as a personal liability of the polluter, and then moves through a hierarchy of who is considered liable for contamination, firstly looking to the polluter (either owner or lessee) as the responsible person or entity and moving through to a mortgagee, if a remediation liability cannot be funded by the original polluter.

Any amendments to the Valuation of Land Act in relation to the treatment of contamination should align with the treatment of contamination liabilities within the context of the Contaminated Land Management Act.

Currently as it stands, an owner will benefit from a reduced value or nominal value of land that is contaminated with a lower land tax and rate burden.

The very complex nature of assessing contamination means that estimating the costs of remediation is very inaccurate. So as a consequence the valuation of contaminated lands will also be inaccurate. This makes the valuations of contaminated sites very contestable given the highly technical nature of specific site contamination, and the inaccurate estimating of the costs of remediation for any given land.

We consider the lower values applicable to contaminated sites to be inequitable in terms of the general equity issues that apply to taxation policy. To have a situation where polluters get reduced land tax and reduced rates because they have polluted a site, either knowingly with a licence or unknowingly should raise concerns of "fairness".

As stated previously, the Contaminated Land Management Act makes the liability of contamination a **personal** liability of either the individual, entity or mortgagee. We would



prefer a similar approach be followed both from an operational level where contamination of properties does not have to be considered because this is a liability of a person or entity, and not necessarily a complex characteristic of land to be considered when assessing the land value.

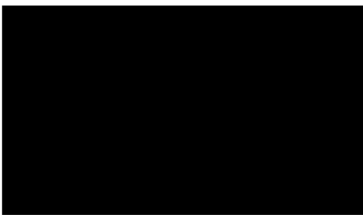
This change would lead to more robust and defensible valuations and generally be far more equitable.

Thank you for the opportunity to have input into this Inquiry.

We would welcome any further opportunity to clarify or discuss any of the matters raised above.

Yours faithfully

**ROBERTSON & ROBERTSON**



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