

INQUIRY INTO THE PROVISIONS OF THE VALUATION OF LAND ACT 1916

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July 2010

**TO. *THE JOiNT COiMMITTEE ON THE OFFICE OF
THE VALUER GENERAL.**

REGARDING

***INQUIRY INTO THE PROVISIONS OF THE
VALUATION OF LAND ACT 1916**

Comments for consideration

Introduction

**I am a Registered Real Estate Valuer active since 1963, and have
witnessed State Land Tax [SLT] profound impact, especially upon**

“ Freehold Apartment Blocks exclusively Rental Housing”

**Numerous examples exist just in Waverley –Randwick –Marrickville
Sydney City council areas, where SLT is /has destabilised viability of
existing rental apartment blocks, influencing their conversion to
Strata Lots and subsequent loss as exclusively rental housing.**

**“My comments are directed to this rental-housing sector” although,
SLT impacts small business.**

NSW two “land taxes” are annual taxes

*** Local Government Land Tax “ Council Land tax “Rates”**

*** State Government Land Tax.**

**Both tax land values the Valuer General imposes using “Mass
Valuation Methodology” of “Valuation of Land Act’ [section 6a1]
“That is where similarity ends”.**

**The intent of SLT, and Council’s taxing land values each set by the
“mass valuation methodology” process is manifestly different.**

*** For council’s the intend is to equitably distribute the tax burden to
fund council’s**

*** SLT the intent is to impact, inhibit private investment in
exclusively rental housing that requires a Freehold Site.**

**SLT intent og the mass valuation process, is to destabilise freehold
land ,exploiting the valuation methodology that ignores existing use
as exclusively rental housing . Unpegged SLT intent is seen in its tax
rate, that in 08/09 exceeded Waverley Council residential land tax
“Rate” by 1151%**

Divergence of Land Taxing Policy

Unpegged SLT [un-like unlike Council land tax Rates] is a vital factor of SLT agenda to destabilise existing use of liable Freehold land.

SLT indented use as a destabilise agent is seen comparing SLT tax rate with Councils residential land tax “Rates”.

Clearly SLT is indented as a planning/economic weapon to destabilise liable freehold, throughout the Sydney and coastal regions, to generate State revenue by activating other from State taxes. Also subverts local planning.

Example. When a rental apartment blocks is sold, inevitably is converted to Strata, tenants vacate. State tax revenues are almost immediately generated. E.G.

- * Stamp Duties from the initial sale**
Then more stamp duty from resale of each Strata Lot
Then Stamp duty revenue is compounded from then on.
- * GST is generated, and significantly if demolition/ redevelopment**

To show how determined SLT is to destabilise existing use of Freehold as rental apartment blocks. SLT tax rate is imposed EXCEEDING Councils residential ‘Rates’.

- * Waverley. 1151%**
- * Randwick. 921%**
- * Marrickville 646%**
- * N –Sydney 2177%**

Some other comparisons 08/09

**Manly – 913%. Willoughby—1099%. Hornsby—1223%.
Fairfield—801%.--Holroyd— 1046%. Kogarah-- 1001%.
[09/10 comparative data will soon be available]**

Attachments.

**Waverley---Randwick---Marrickville Councils Comparing *
Council land tax “Rate” revenues from liable properties,**

With,

- * SLT revenues from liable Rental Housing and business**

Residential tenants are generally not aware of SLT intent to impacts housing exclusively rental.

Integrity of intent of the Mass valuation methodology

Pegged Council land taxing

- * To equitably distribution the funding local councils.**
- * Councils apply the same land tax” Rate” to all land in the same class.**
- * Councils cannot aggregate land, then selectively increase the Tax “Rate ”etc**

Methodology’s Basic elements supporting the integrity of intent

- *Transparency. Council’s valuation rolls open to the public.
[The Carr State Government withdrew public access.]**
- *Land taxing values have a common valuation basis
[Deemed vacant ready to build -- “Site Value”]**
- * Land values are imposed, on a common date.**

Unpegged SLT intent is manifestly different

- * SLT destabilises existing use of liable Freehold land.**
- * SLT is selectively imposed upon residential land**
- * SLT promotes Freehold land conversion to Strata Lots**
- * SLT used as a Planning instrument promotes Strata Development.**
- * SLT stealth agenda is also to activate other State tax Revenues**

Only the State Government has legislative power to generate revenues by activating other State Taxes using Land Tax to destabilises existing use of freehold land

SLT is imposed in direct completion with Local Government land tax

SUMMARY

SLT roll in removing exclusively rental Apartment buildings if provided by private funding.

Hopefully the committee will see my comments attempt to distinguish the diverse intent of both land taxes, imposed by same process of mass valuation methodology directed by the Valuation of Land Tax.

Council land tax “Rates” .The intent is to equitably distribute the funding of councils who then are required to impose the same Tax “Rate” to all land in the same class The State has pegged council’s rates, that was necessary to install unpegged SLT

Senior Local Government leaders call for Council land tax to be unpegged. This [in my opinion] can not occur unless SLT is withdrawn, or significantly altered.. Otherwise freehold land existing use is in peril.

SLT intent is manifestly different, directed to destabilise existing use of freehold land. Especially targets privately funded, and purpose built rental apartment blocks that require a freehold site.

Numerous examples exist of previously exclusively rental apartment blocks converted to strata, SLT the prime influencing

Result SLT achieves is the building are converted to strata and generated State tax revenues. The same buildings use as exclusively rental housing removed.

Example A privately funded rental block of 10-apartments require a Freehold site, SLT allows one [1] threshold before it is imposed.

Converted to Strata SLT potentially allows ten [10] threshold before it is imposed. a 900% discount for the same residential building, because exclusive rental use is removed.

Clearly SLT treat harshly freehold land use as rental Apartment buildings. Accordingly, State Treasury should not be so sensitive to suggestions SLT is intended as a stealth-planning weapon, to generate State tax revenues by activating other State taxes, and compounds continued revenues flows.

This agenda is confusing when Government often advises concern, of rental crises, and lack of affordable rental housing, and proposes huge funding to supply government rental housing, also requiring freehold land.

**I have been a critic of SLT policy, primarily concerned a deliberately agenda exists to destabilise the viability of rental apartment buildings, to generate State taxes when converted to Strata. The evidence is strong; I would be pleased to be questioned on my comments.
[SLT agenda also impacts freehold Small business requires.]**

Seldom are rental apartment building removed. All that is removed is their use as exclusively rental housing.

Literally 100s of rental apartment block just in the council areas of Waverley—Randwick—Sydney—Marrickville have converted to strata, SLT policy has acerbated the rental crises Government laments, and propose increased funding of government rental housing that also requires Freehold land.

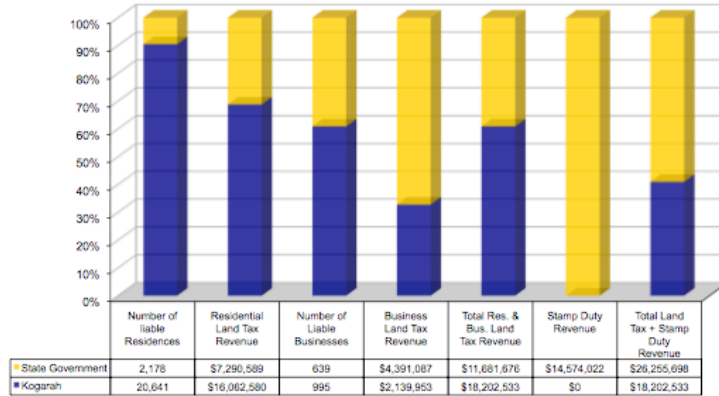
I am available to be questioned, or give further explanation regarding these comments and attachments.

C.J. [Mike] Danzey

ATTACHMENTS

Kogarah

A comparative survey of:
 - Council Land Rates 2008/2009
 - State Land Tax 2008
 - State Stamp Duty on Land Sales 2007/2008

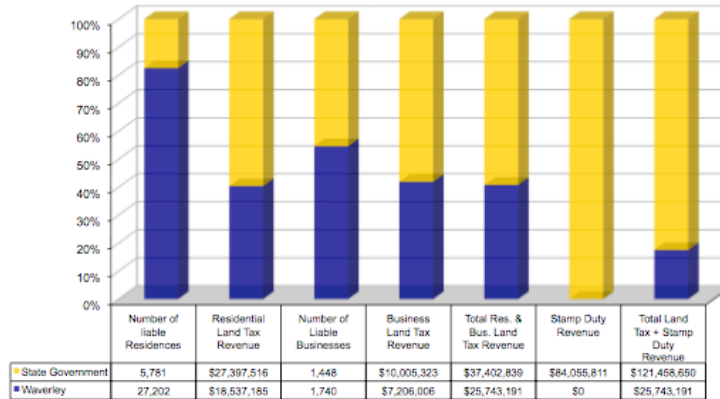


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Waverley

A comparative survey of:
 - Council Land Rates 2008/2009
 - State Land Tax 2008
 - State Stamp Duty on Land Sales 2007/2008

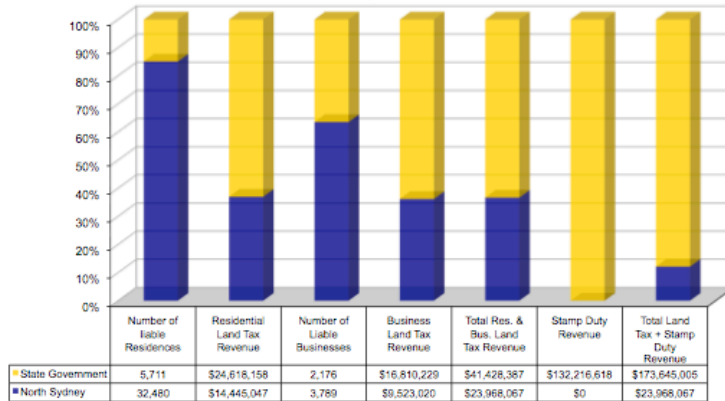


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North Sydney

A comparative survey of:
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 - State Land Tax 2008
 - State Stamp Duty on Land Sales 2007/2008

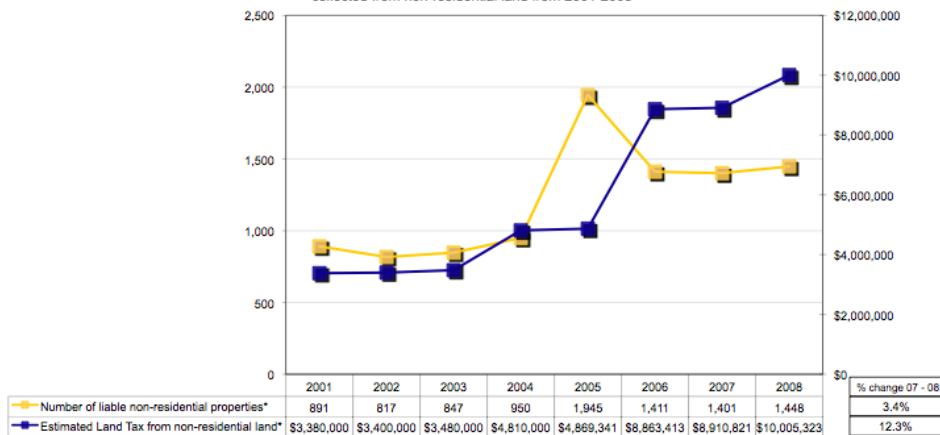


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Waverley

Comparison of the number of non-residential properties liable for State Land Tax and the estimated State Land Tax collected from non-residential land from 2001-2008

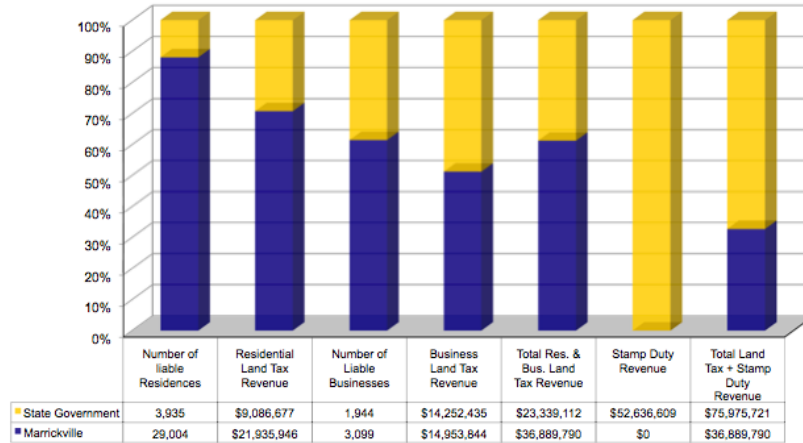


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Marrickville

A comparative survey of:
 - Council Land Rates 2008/2009
 - State Land Tax 2008
 - State Stamp Duty on Land Sales 2007/2008

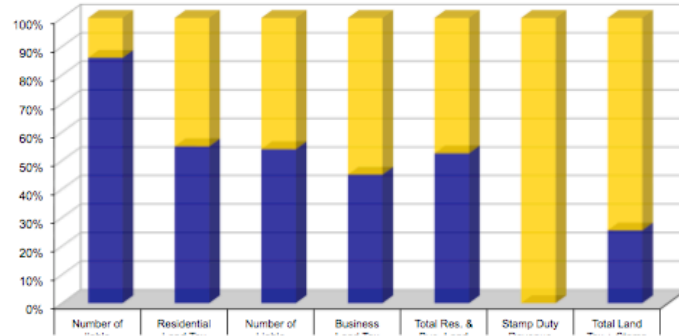


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Randwick

A comparative survey of:
- Council Land Rates 2008/2009
- State Land Tax 2008
- State Stamp Duty on Land Sales 2007/2008



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23 August 1999

Ms Julie Walton
Chairperson
Valuation of Land Inquiry
Level 31
Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Julie

Thank you for the opportunity to place some brief comments before your Inquiry, and including comments (26-3-99) to Legislative Council Standing Committee re Land Tax.

My comments are directed to the impact upon Residential Land used as Rental Housing and Premium Property. The principles and practices the current Valuation Methodology applies are well established, although Land Valuation is not an exact science as, opinions to qualify and quantify, market sensitivity between different zoning - location and physical features etc becomes educated guesswork.

The Valuation of Land Act 1916 requires the Valuer Generals to value on mass each parcel of land reflecting its Highest Economic Use. The methodology the Valuer General applies is to compare all Residential Land with the sale price of Vacant Land, often referred to as knockdowns. In established urban areas (Example SEPP10), Vacant Land sales are rare, and supply and demand is distorted as all parcels are valued as though each will be offered in isolation for sale on a market where such Vacant Sales are rare and demand high.

The Valuation Methodology used to impose Land Tax upon Rental Housing and Premium Property, particularly conventional housing in established suburbs, exploits unmercifully supply and demand factors to maximise Land Tax on Rental Housing and Premium Property.