

5 December 2003

REVIEW OF RENTAL FOR DOMESTIC WATERFRONT TENANCIES IN NSW
Independent Pricing Regulatory Tribunal
ipart@ipart.nsw.gov.au

Dear Sir,

Re: Review of Rentals for Domestic Waterfront tenancies

We live in a waterfront property in (address deleted). We have a small jetty and pontoon which we share with our neighbours.

We wish to make the following submissions against the use of the proposed formula for determining rents.

As I understand the formula, it is to apply a rental per square metre of land leased, calculated as 6% per annum of 50% of the Valuer General's Statutory Land Value per square metre of the adjoining block:

$$\frac{\text{Property's Statutory Land Value}}{\text{Property's Land Area}} \times 0.5 \times 6\% \times \text{Area of Waterfront license}$$

Using this formula we have calculated that our waterfront license will increase by over 657%.

Valuer General's Land Valuation Base

The rental of waterfront space should not be tied to a valuation used primarily for the purposes of a tax base.

Land valuations are based on the capacity of the land for building a home and all the facilities that a home provides. The land is owned in perpetuity.

In contrast, rented waterfront space has the capacity to provide very little. It provides only for the building of jetty access to the waterway (access to the waterway is free) and in some cases (not our own) for the building of a boatshed.

There is no valid comparison in value between waterfront tenancy areas and land that provides all of the residential requirements of a family. It is totally unreasonable to suggest that such space should be valued at 50% of the adjoining residential land.

The VG's land valuation already takes into account the availability to the land of a waterfront lease. A formula that would now tie the rental cost of the lease to that land valuation, effectively creates a situation of "double dipping", or even "triple dipping" when also taking into account council rates.

6% Rental Return

6% is not currently (and has not been for some time now) a commercially realistic rate of return from residential property leases. A realistic figure based on current returns for properties such as ours is more in the range of 1.5 - 2%. In addition residential properties provide many more facilities than mere space over water or waterfront land. Leased residential properties provides for all the needs and comforts of a family.

In contrast a Waterways lease provides only space. The lessee has to build and maintain the facility over the space whereas in a residential lease the landlord is required to build and pay for the maintenance and repairs to the property.

The lease can be terminated by the Waterways Authority with very little notice and a demand made for the removal of the facility constructed at the cost of the lessee. There is no real tenure.

Waterfront licenses cannot be traded or sub-let so there is no market value tied to them.

In this situation an assumed return of 6% is excessive in the extreme.

Amenity

From our understanding the proposed formula does not take into account what size vessel may be moored at the jetty. In our situation we do not have a deep waterfront and are only able to moor a small boat at our jetty meaning we also pay to have a swing mooring in Pittwater where we keep a yacht in which we share ownership. It is most unfair that we pay the same rate as other people with deep water frontages who are able to moor much larger vessels.

Due to the polluted nature of the water in front of our property at Winji Jimi Bay we do not enjoy any other recreational benefit such as swimming or fishing from our facility. Neither council nor Dept. of Lands nor Waterways have taken responsibility for open stormwater drains and an exposed land bank at a public reserve which constantly drain rubbish and silt into the bay continuously degrading the quality and depth of the water thereby significantly reducing the amenity gained from owning the adjacent waterfront property.

It is our submission that if there are any additional monies (above administrative costs) raised by way of any increase in waterfront licenses that these monies be used to reduce the continuing and significant environmental degradation of our waterways.

The rental value of a waterfront lease should not be based upon the value of the adjoining property. It should be based upon the domestic use and enjoyment to be gained from the lease which in some cases is relatively little.

Retirees

The two adjoining properties to ours are both lived in by elderly widows who are self-funded retirees. They have independently informed us that if the proposed formula is used to calculate their rental (providing an increase in excess of 500%) they may be forced to either sell the property, or remove, at their expense, the existing jetties. Neither of these seems to be a fair or just outcome for people who bought their properties a number of years ago.

What then would be the situation if our neighbour with whom we currently share the jetty decided that she could no longer afford the rental but did not want to sell the property? Would

we be liable to pay her license fee as well as our own if we wanted to keep the jetty. Using the proposed formula this would increase our current rental by over 1300% yet provide no additional amenity to what we currently enjoy.

In the future we will more than likely also be self-funded retirees. It would be extremely distressing if we were ever forced to sell the house in which we are currently bringing up our children because we cannot afford the ever increasing license fee.

Conclusion

It may well be that license fees have not risen for some time and have not kept pace inflation. This however is no reason to use a formula that is based on erroneous assumptions.

This formula may be already used in Northern NSW but this is no reason to compound the error by introducing it to metropolitan Sydney waterways.

We trust that the Government can work out a different formula that is reasonable and fair in the circumstances providing sufficient monies for ongoing administration of the licenses. If any additional monies are raised by an increase in license fees we submit that these monies be used for environmental improvements to the waterways rather than going into general revenue.

Yours faithfully,

John Turnbull & Rebecca Clarke.