Review or Rental fro Domestic Waterfront Tenancies in NSW
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Sir,

I have numerous concerns about the proposed formula for calculation of rent for leasehold land adjoining my waterfront property. I also object to the inference that the rental rate has not changed since 1988. The amount of rent paid for my area of leashold was reviewed when I purchased the property in 1992. It has been subject to CPI every three years since then.

In relation to the proposed formula there are two components that combine to arrive at the resulting licence fee. Firstly, the valuation of the land area, and secondly, the expected rate of return on the value of the asset. I believe the rationale for the calculation of both components is flawed.

1. **Valuation of land under licence = value of attached freehold expressed as a value per square meter then discounted by 50% in order to "reflect analyses of sales of remnant land parcels" and also recognition that "the authority generally prohibits the use of its land for residences"**

I believe the valuation of the leasehold land is significantly less than 50% of the value of the adjoining freehold because without improvements supplied by the leasholder the land is predominantly underwater mudflats.

- There is almost no Improvements or modifications can be made to the area
- Demolition is of any improvements is forbiden
- Any structures must be paid for by the licensee
- Public access must be given to the property
- No dwelling may be constructed
- There is no land access to the property
- The only market for the property is to the owner of the adjoining freehold
- Aboriginal land rights have not been extinguished
- Right to occupy can be revoked at any time

If the SLV is to be broken down to a dollars per meter for the purpose of valuing the adjoining parcel of land then the SLV itself would need to be based on dollars per meter, and it is not.

The SLV when broken down to a dollars per meter rate will vary widely, even for adjoining properties because the size of the parcel is only a small part of the valuation consideration. A smaller property can have a per meter valuation three time that of a larger adjoining property.

The proposal mentions the use of “precinct SLV” but two properties in the same precinct could have totally different aspects and totally different water frontages.

There is no consideration in the formula as to the differing values for land below mean high water. The land could be a sandy beach, natural rock or a mudflat. Things like distance to deep water or even the availability of deep water have a dramatic impact on the value of that land.

Where there is a long distance to reach deep water a longer jetty is required, this detracts from the value of the land but would result in higher rates being paid because of the greater distance to cover. A short jetty into deep water is far more valuable than a long jetty into marginal depth water. Under the proposal the short jetty would cost significantly less.

2. **Rental rate to equal a 6% return on the value of the land under licence. “Consistent with analysis of investment returns from residential properties rented throughout NSW”**

This land is not a residential property so why use this benchmark. Rental returns for waterfront /high value properties are well below average returns and closer to 1% than 6%. The rental return for the property should be discounted from the normal average for the following reasons:-

- Management of the PO property is the responsibility of the Licensee
- All maintenance of the property is at the expense of the licensee.
- Any improvements are paid for by the licensee
- Any improvements need to be maintained by the licensee
- Rent is paid annually in advance while residential property rent is paid weekly or fortnightly in arrears
- Licence to occupy can be withdrawn with no notice
- No compensation is available in the event of the licence being revoked
- No mediation of disputes through normal channels
- All costs for both sides for any dispute must be borne by the licensee
- All and any costs levied on the said land is paid for by the licensee

- The licensee must indemnify the licensor from any liability
- No ability to sub let any part of the property
- The licensee must maintain a public liability for the property
- A security deposit in excess of 12 months rent is held by the licensor
- The value of the security deposit can be increased by the licensor at any time
- When transferring the licence to a third party the licensor may retain the security deposit until and new security is in place
- Rent for a residential property does not attract GST
- There is no facility for a fair market condition as the licensor has a monopoly

I purchased this property in Jan. 1992 and the PO rent was calculated at $1290pa. That licence has a review every 3 years to CPI this year my annual rent was $1,691. If I apply the proposed formula using the SLV of my property expressed in dollars per meter my new rent will increase to $30,319.30. This is an horrific figure that is totally unaffordable for me and would totally destroy the value of my property. This is an increase of almost 2,000%.

My property is on Pittwater Road, Bayview
The Freehold property is 303 meters^2 and the PO area is 300 meters^2.
The 2004 SLV is $931,000
$931,000 / 303 Meter^2 = $3,072/mtr^2
Value proposed for PO of 300Mtr^2 is $3,072x300=$921,600 x 50% = $460,800
Proposed rent for PO on $460,891 x 6% = $27,648 + GST of $2,765
Giving a grand total of $30,413.

I live on a mud flat with no access to deep water. When I purchased my property more than ten years ago the inference from the state government, and certainly my understanding was that the access and availability of the leasehold land would not be unduly withheld. I believe that by imposing anything like a 2000 percent increase is tantamount to taking away the right to this land as the resulting rental is totally unaffordable.

There may well be many properties where the rent has not been reviewed for many years, and I am sure that a fair review of those properties would be acceptable to all. There are also many properties like mine where a fair market value and a fair market review is in place and this existing method could be standardised on, for all waterfront properties.

Regards,

Steve Stuart