

Review of Rental for Domestic Waterfront

Independent Pricing and Regulatory Tri
PO Box Q290
QVB Post Office N S W 1230

Issues 1 (Page 4)

The statement that rentals payable are reviewed every five years outside the Sydney area is incorrect. My rental is reviewed and increased annually and I have documents to prove it! The increase is aprox. in line with C.P.I., the system created by Government to keep rentals at consistent value. There is therefore no justification for a rental review.

Proposed formula (Page 3)

OBJECTION --

Government intention to obtain an overall return of 3% is unrealistic

REASON --

L.J.Hooker provided typical rental and maintenance figures for two properties in Pittwater (A) Value 1.5 million ,after council rates, land tax and maintenance net return --- 1.9%
(B) Value 3.0 million, after council rates, land tax and maintenance net return --- 1.94%

RECOMMENDATION --

Net rental return must be less than 2%

Statutory land value (Page 3)

OBJECTION --

S.L.V. is not an equitable base for valuation because domestic waterfront land use is heavily restricted. S.L.V. is not related to site area but to typical sale prices achieved. Because the purchaser of rental property expects to achieve a reasonable yield the purchase price he can offer is limited (expectation of capital gain has temporarily distorted yield returns and resulted in excessive land value). The principle that prices and land values are tied to productive yield applies also to country property.

S.L.V. includes the leased area as noted on the valuation notice and as required by section 6A of the Valuation of Land Act (1916) Therefore the value per square metre used in the proposed formula must be based on (statutory land area plus lease area) and the formula as proposed does not conform with legal requirements.

REASONING --

Land values as noted above relate to economic benefit. The land subject to this I.P.A.R.T. review cannot, by licence restrictions, ever become productive and in addition the cost of maintenance (contrary to accepted commercial practice) is made the responsibility of the tenant.

The tenant has no benefit conferred by the lease that the public does not already enjoy, but is expected to provide for public insurance **risk**.

RECOMMENDATION --

Technically a domestic waterfront lease is in fact a financial liability. There is however an aesthetic benefit over the *dry* part of the lease which is included in the purchase price of adjoining land.

Land subject to lease should be divided into two parts (A) *dry* land (B) wet lease area. Wet lease areas are frequently used for boating facilities and as such could incur rental charge commensurate with Waterways mooring licence fees. Berthing of vessels in this way is greatly space saving compared with swing moorings, is therefore in the public interest, and deserves favourable treatment as the cost of installation and maintenance greatly exceeds swing mooring maintenance costs.

FURTHER RECOMMENDATION --

This I.P.A.R.T. proposal should not be enacted in its present form. The leasing of domestic waterfront will become prohibitive with rentals five to ten times council rates. This may result in many leased areas being relinquished to the care and maintenance of the Lands Department.

Confirmation of receipt of this submission would be appreciated

John Ward

3-12-03

John P. Ward.