

Review of Lease Variation Charge ,

Impact on Development Activity ,

In the prelude to the Consultation Document it says taxes and therefore LVC have minimal impact on Development.

it is obvious the author has little understanding of what is happening and the sentiment at present in Canberra Property Market ,

Examples of two main areas of impact ,
and there are more

The Commercial Property Market is Volatile and Competitive

as a Owner a essential way to reduce risk is to minimise Vacancy .

A important way is to have as much flexibility as you can on what you can Lease your property for

Example if Purpose Clause is Restricted you need to add additional uses , if the property is vacated you can re Lease the property in a reasonable period .

noting a Lease Variation can take considerable time ,a straight forward recent variation took over 8 months and is still going ,

Tenants cannot wait for extended periods to commit also Financiers demand flexibility and have major concerns otherwise.

Example could be Residential was also added to allow a back up position should demand for a Commercial Property be reduced ,

An effect of seeking this flexibility ,It seems recently Rates have now more closely been aligned with Lease Variations to much detriment to the Property market.

We have completed numerous of these variations in the past ,to be presented with substantial increases in Unimproved Valuations ,on uses not activated on the property .

which result in substantial Rates Increases , one in particular the rates exceed total income of the property

With anomalies in the Rates Act this further destroys the integrity of the system ,

It is interesting when LDA releases a Commercial site ,

they rightly have every use available under the territory plan ,

why to achieve best value for the Territory buy having a desirable offering with flexibility of uses .

Example ,

Commercial rates are some 3 times more percentage than Residential , if you have a building for example 10,000 ms residential with 100 ms commercial ,(or the purpose clause says this)

You are assessed and taxed on the highest value (at present being residential value),but the whole building is assessed and Taxed as Commercial use (so 3 times rates you should be paying)

I am told the definition in the Rates ACT says if a building is not Residential it is Commercial ,

and in the ACT does not allow for the uses to be apportioned .

Seriously this does not make sense to the Commercial Market and severely undermines confidence.

Secondly the definitions for calculating LVC are not reflective of the Market conditions (this was taken away from previous definitions)

not being able to deduct the Value of Improvements from the before value also undermines the calculations ,and again doesn't make sense .

It is assuming zero value of buildings already on the site ,

Why would someone demolish a building ,

receive no credit for the building and then pay LVC on top to develop the property .

Lease Value and Equity ,

Why not amend to delete the LVC and have a Argumentation charge as happens in other states

The charge then reflects the cost to the community for increasing services to allow for the project .

Noting the community has increased benefit that the property are Rated and added as a recurring income source to the Territories.

noting development provides places the Community can live , to come into an area or down size and stay in their community .

The more it costs to develop a property ,the price a developer pays for a property is reduced by this ,

and if this is below the Value of say single residential can be achieved ,he cannot compete and buy therefore develop
Codified charges also on Commercial are not always relevant and example is if you want to extend a building ,
you sometimes need to make alterations or delete car parking (these have a value and you receive no credit) ,another example is it is same rate for single or multi-storey building where building cost may be signifiactly more and therefore

Some additional Concerns

- Bringing the ACTVO Valuers seemingly In-house has a significant perceived conflict of interest,and if you object the valuation is pier reviewed in house (again a concern) and if you want to go to ACAT as a property owner are up for a considerable cost,
- Of concern is that most lease variations there is a strong emphasis of comparable sales without looking at other mitigating factors ,

If say there are 2 sales in a suburbs ,
is this truely the value you only have 2 properties available ,therefore limited market and pent up demand ,not the whole suburb being offered and therefore should be valued as such

- And linking LVC AND Rates especially as significant anomolies how rates are assessed on Purpose Clause Uses even if not activated

It is difficult in this format to express all concerns and would welcome meeting to discuss these further .

Regards,

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