



Monday 6 June 2011

Dear IPART Inquiry Manager

Re: Submission to IPART - Review of method for determining rents for domestic waterfront tenancies in NSW.

Please see attached Submission to IPARTS Domestic Waterfront Tenancies Rent Review from the Sydney Harbour Council Group.

This submission has been submitted following a meeting of this group on Thursday 2 June 2011. An extension for this submission was sought by Carolynne James and approved on 31 May 2011.

For further information regarding this submission please contact Mr Barry Smith, General Manager, Hunter's Hill Council, and Convenor of the Sydney Harbour Councils Group on 9879 9430 or genmanager@huntershill.nsw.gov.au

Yours faithfully

Mayor Sue Hoopmann, Hunter's Hill Council and
Chair, Sydney Harbour Councils

**IPART REVIEW OF DOMESTIC WATERFRONT TENANCIES –
SUBMISSION BY SYDNEY HARBOUR COUNCILS GROUP
June 2011**

BACKGROUND

The Sydney Harbour Councils (SHC) Group represents 19 councils including: Ashfield, Auburn, Canada Bay, Hunters; Hill Ku-ring-gai, Lane Cove, Leichhardt, Manly Marriville, Mosman, North Sydney, Parramatta, Pittwater, Ryde, Strathfield, City of Sydney, Warringah, Willoughby and Woollahra.

The SHC Group has an “Our Harbour” Agreement which identifies the following eight core issues:

1. the harbour is the focus of Sydney.
2. the quality of the physical and natural environment is under pressure.
3. the harbour is a key cultural and recreational resource.
4. our maritime industries are in danger of disappearing in the harbour.
5. there is concern the privatization of the harbour foreshore.
6. foreshore developments should display the highest possible quality of design.
7. a complex arrangement of administrative responsibilities has developed around the harbour.
8. proactive consultation is essential.

COMMENT

This IPART review does not directly impact on councils operations. Councils lease or co-lease with other community groups various waterfront sites for public use¹. These are priced and managed under different arrangements to the DWT pricing system.

However DWTs are a controversial issue and Councils are often seen to have a role in their management and advocating for residents who have a tenancy.

Pricing issues

The current “pricing” of domestic waterfront tenancies is based upon three main elements :

1. an averaged value of the occupancies based on a derivation of the Statutory Land Value (**SLV**) of adjoining properties known as the Precinct Statutory Land value (**PSLV**)²;
2. a rental formula derived from the PSLV which encompasses a rate of return and discount factors; and
3. administrative costs of the managing authorities.

¹ Often these sites may include both council and Crown land and special agreements and leases. In some circumstances Councils may also be involved where an occupancy is adjacent to council land and the structure is shared with the public.

² PSLV = Total SLV of all properties in precinct / (Total area of freehold properties in precinct + Total areas of occupancies in precinct)

It should be noted that the Statutory Land Value (SLV) is the same land valuation basis for which Council's rates are derived. The Issues Paper (p24) notes that where a residential property and the DWT are on the same name then the Value General may calculate a SLV for the total area including both the privately owned land and the occupancy area. However if the DWT is in not in the adjacent property owners name then the total area calculated for SLV purposes may exclude the area of the DWT.

Confusion may then arise in when these different SLVs are bundled together in a precinct to calculate a PSLV to use in DWT pricing. IPART suggest that this be clarified so that areas of land are not double counted or undercounted in the PSLV calculations.

Council issues

Councils are frequently lobbied for assistance from residents who find it difficult to pay the waterfront rentals. Currently a 50% concession is given to pensioners up to a maximum of \$1000 is provided. Self-funded retirees do not have concessions but can claim for hardship. (Although there is little evidence of any hardship claims being pursued given the ambiguities of assessing an owner's financial position.) The Issues Paper does not raise the option of decommissioning a tenancy as a means of dealing with lack of financial capacity to continue serving tenancies. However it is understood that this is also an option available for residents who cannot maintain payments.

Also, as noted in the Issue Paper, there is confusion as to the basis of the pricing of the DWT and possible duplicative assessment of the underlying land values. It is not clear to what extent this may distort the final pricing DWTs.

Councils are seen to be involved if the tenancy includes a heritage structure. This structure is often perceived as a public asset reflecting heritage character of a precinct. In these cases owners may have limited capacity to maintain the tenancy and obtain insurance etc. The question arises about what special arrangements should be made for these tenancies given the public value attached to them.

Broader policy issues

While the focus of the IPART Issues Paper is on the pricing of DWT, it is important to consider the impacts of pricing policies in a broader sense on waterways usage and access.

For example, if the revised pricing method compels more owners to terminate their occupancy, then the end result is a reduction in domestic tenancies. This may have various ramifications:

- There may be a substitution effect whereby there is increase in the use of public waterway facilities and access points. This in turn may require enhancements or expansion of public waterway facilities and access routes managed by local government;
- Those with water craft may seek alternative mooring sites which may impact on the environment and water traffic particularly in high traffic harbour areas;

- Those with water craft may seek alternative marina berthing facilities and such facilities may require expansion to accommodate additional demand.

The new State Government must clarify its policy on waterway use and access and ensure that the pricing method on DWT does not create perverse outcomes or cumulative impacts that are undesirable.

The Sydney Harbour Councils Group has a strong view that all spheres of government need to enhance the ecological and urban qualities of the shoreline, to seize every opportunity to increase public ownership of foreshore land and to progressively remove impediments to access to and from the water.

Should the State Government endorse a policy that encourages a shift from private to public access waterway points, hypothecating DWT revenues into public waterway enhancements should be considered. Councils would have considerable interest in these public waterways as they co-lease them community and not-for-profit groups.

A further ongoing concern which SHC Group notes is the commercial and regulatory roles of NSW Maritime. SHC views is that there is a fundamental tension for the organisation as commercial objectives are often in conflict with the objective of preserving public access to Sydney's harbour.

RECOMMENDATION

The Sydney Harbour Councils Group recommends and highlights the following issues to the IPART Inquiry into the Review of the Method for Determining Rents for Domestic Waterfront Tenancies in NSW:

The Sydney Harbour Councils groups notes:

- there is a affordability gap on DWTs for those asset rich but income poor self funded retirees that is not addressed by the existing pensioner discounts available; and
- there is confusion in the community about the basis of the SLV assessments that feed into the concern about DWTs pricing.

The Sydney Harbor Councils Group recommends:

- some special financial arrangements should be explored for those DWT which are regarded as having public heritage and community amenity value;
- the new Government should outline the policy objectives on domestic waterfront tenancies and clarify if there is a intention to reduce private exclusive waterway access consistent with previous NSW Government's position; and
- DWT pricing policy should examine the ramifications for public waterway facility use including increased patronage of public jetties; increased costs to management of public facilities; complementary impacts on dingy and boating storage, and increase marina and mooring demand. Funding systems to address such additional pressures on public waterfront facilities should be considered.