

# Valuer General's Policy

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## Valuation of infrastructure land

**What** This policy outlines the approach to take and factors to consider when valuing land used or zoned for infrastructure purposes for rating and taxing purposes.

**How** Under this policy, valuers use mass valuation methods for rating and taxing, based on specific assumptions and considerations.

Valuers apply market evidence and do ongoing quality reviews to support valuations.

Valuers assess the value of the land only, without including the value of structures or other improvements on that land.

**Why** This policy will ensure that the Valuer General's valuations of infrastructure land are:

- consistent and fair
- transparent
- made within the provisions of the *Valuation of Land Act 1916* (Valuation of Land Act).

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# 1 Policy

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## 1.1 Scope

**Infrastructure land** Use this policy when assessing the value of land used or zoned for infrastructure purposes (infrastructure land).

Infrastructure land is defined for the purposes of this policy as land:

- with an infrastructure based zoning under a Local Environment Plan (SP2 Infrastructure in the standardised LEP), or
- land currently used for an infrastructure purpose.

For the purposes of this policy, infrastructure land includes uses such as, but not limited to, land used or zoned for:

- telephone exchanges
- pumping stations
- water pipe corridors
- drainage channels
- sewer works
- electrical substations.

**Land value improvement**

The land value excludes any structures or improvements but includes land improvements.

See section 6A of the *Valuation of Land Act 1916* (Valuation of Land Act).

## 1.2 Valuation approach

**Assess the highest and best use**

Each site is to be valued based on its individual merits with the highest and best use assessed on a site by site basis.

**Sites zoned for another use**

If a site used for infrastructure purposes is zoned for another use that is considered higher and better than the current infrastructure use then it is to be valued based on the highest and best use.

If there are site constraints these should be reflected in the assessment of the sites highest and best use and assessment of value. Site constraints may include land improvements and other existing land features of the site.

Land improvements are defined under Section 4 of the Valuation of Land Act and include:

- (a) the clearing of land by the removal or thinning out of timber, scrub or other vegetable growths,
- (b) the picking up and removal of stone,
- (c) the improvement of soil fertility or the structure of soil,
- (d) the restoration or improvement of land surface by excavation, filling, grading or levelling, not being works of irrigation or conservation,
- (d1) without limiting paragraph (d), any excavation, filling, grading or levelling of land (otherwise than for the purpose of irrigation or conservation) that is associated with:
  - (i) the erection of any building or structure, or
  - (ii) the carrying out of any work, or
  - (iii) the operations of any mine or extractive industry,
- (e) the reclamation of land by draining or filling together with any retaining walls or other works appurtenant to the reclamation, and
- (f) underground drains.

Examples of site constraints may include items such as, but not limited to, open or closed concrete drainage channels or narrow site shapes. A site with an open concrete drainage culvert running through it may be able to have a building built over the drain or the drain redirected but the impact and costs of this should be reflected in the valuation.

### **Sites zoned SP2 Infrastructure**

If a site has an infrastructure based zoning and this is considered the highest and best use of the site, it is to be valued based on the following approach:

1. If comparable sales evidence of similar infrastructure zoned sites is available, then these sales should be used to assess the subject site's land value.
2. If there is no comparable sales evidence of similar infrastructure zoned sites then the site's land value should be assessed based on the value of the land assuming it was zoned in line with the predominant adjoining land zoning.

An adjustment should then be made to the value to reflect the impact of the infrastructure zoning.

- a) In some cases, the infrastructure zoning may have the effect of limiting the potential purchasers to a single

infrastructure user being the existing infrastructure user. If this is the case and there is only one potential purchaser (i.e. no market exists for this land other than the existing infrastructure user) a 50% reduction should be made to the value assessed to reflect that there is only a single potential purchaser. This follows the principles of the valuation approach adopted by the court for a site with only one potential purchaser in *Mort's Dock and Engineering Co Ltd v The Valuer General* (1923).

b) However, if there are other potential purchasers for uses that would be allowed under the zoning (e.g. neighbouring properties for storage area or extra yard space) and these uses would result in a higher value than that assessed in step a) above, then the higher land value should be adopted.

Note consideration should also be given to Section 5.3 (if adopted, or similar provision) of the standardised Local Environment Plan "Development near zone boundaries" which may give allowance for a higher and better use.

### **Value adjoining sites together**

Where adjoining land is owned and used by the same infrastructure operator, the parcels should be included within a single valuation in line with the Valuer General's *Valuing separate parcels* policy.

This policy is to be read in conjunction with the policies listed on the NSW Valuer Generals website at [www.valuergeneral.nsw.gov.au](http://www.valuergeneral.nsw.gov.au).

## 2 References

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*Mort's Dock and Engineering Co Ltd v The Valuer General* (1923) 5 The Valuer, at P.169.

### 2.1 Definitions

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**improvement**      Something that improves the value of the land. This is not defined in the Valuation of Land Act and is different from the term 'land improvement'.

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**land value**      Value of the land excluding any structures or improvements but including land improvements. See section 6A of the Valuation of Land Act for a full explanation.

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### 2.2 Laws and policies

**Governing NSW law**      *Valuation of Land Act 1916* (Valuation of Land Act)

**Related Valuer General policy**      *Valuing separate parcels*

## 3 Context

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### 3.1 Role of the Valuer General

#### **The Valuer General for NSW**

In NSW, the *Valuation of Land Act 1916* establishes the Valuer General as the independent statutory authority responsible for ensuring the integrity of land valuations in NSW.

The Valuer General outsources most valuation services under contract to private valuation firms. All valuation services provided by contract valuers are subject to a rigorous quality assurance process prior to issue to landholders.

The Valuer General is committed to an open and transparent objection process that is easy for landholders to understand.

### 3.2 Background

#### **Mass valuation methods**

Mass valuation improves cost efficiencies, because it allows a small number of valuations to be used for many properties.

Mass valuation is used widely around Australia and the world.

#### **Different mass valuation methods**

In NSW, valuers who undertake valuations for the Valuer General all currently use the component method.

A number of other mass valuation methods are used in Australia and around the world and alternative methods may be acceptable for use in NSW. The Valuer General's approval must be obtained to use any alternative valuation method.

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## Disclaimer

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Valuer General NSW has prepared this policy, but users should obtain independent advice when making any decisions drawing on this policy.


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## Document control

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### Approval

| Name and position               | Signature and date   |
|---------------------------------|--|
| Dr David Parker, Valuer General | <br>22 June 2021 |

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