



TRANSPORT AND RESOURCES COMMITTEE

Members present:

Mr SR King MP—Chair
Mr LL Millar MP
Mr BW Head MP
Ms JE Pease MP
Mr LA Walker MP
Mr TJ Watts MP

Staff present:

Dr J Rutherford—Committee Secretary
Mr Z Dadic—Assistant Committee Secretary

PUBLIC BRIEFING—INQUIRY INTO THE LAND VALUATION AMENDMENT BILL 2023

TRANSCRIPT OF PROCEEDINGS

Monday, 11 September 2023

Brisbane

MONDAY, 11 SEPTEMBER 2023

The committee met at 9.00 am.

CHAIR: Good morning. I declare this public briefing for the committee's inquiry into the Land Valuation Amendment Bill 2023 open. My name is Shane King. I am the member for Kurwongbah and chair of the committee. I would like to respectfully acknowledge the traditional custodians of the land on which we meet today and pay our respect to elders past and present. We are very fortunate to live in a country with two of the oldest continuing cultures in Aboriginal and Torres Strait Islander people, whose lands, winds and waters we all share. With me here today are: Lachlan Millar MP, member for Gregory and deputy chair; Bryson Head MP, member for Callide; Joan Pease MP, member for Lytton; Les Walker MP, member for Mundingburra; and Trevor Watts MP, member for Toowoomba North.

On 23 August 2023, the Minister for Resources introduced the Land Valuation Amendment Bill 2023 into the Queensland parliament. The bill was referred to the Transport and Resources Committee, and the purpose of today's briefing is to assist the committee with its consideration of the inquiry. The committee's proceedings are proceedings of the Queensland parliament and are subject to the standing rules and orders of the parliament. As parliamentary proceedings under the standing orders, any person may be excluded from the hearing at the discretion of the chair or by order of the committee.

The committee will not require evidence be given under oath, but I do remind witnesses that intentionally misleading the committee is a serious offence. You have been previously provided with a copy of instructions to witnesses, so we will take those as having been read. Proceedings are being recorded by Hansard and broadcast live on the parliament's website. Media may be present and will be subject to the chair's direction at all times. The media rules endorsed by the committee are available from committee staff if required. All those present today should note that it is possible you may be filmed or photographed during the proceedings by the media and that images may also appear on the parliament's website or social media pages. I ask everyone present to turn mobile phones off or to silent mode.

GROENENDYK, Mr John, Acting Director, Governance, Engagement and Assurance, State Valuation Service, Department of Resources

HINRICHSEN, Mr Lyall, Executive Director, Lands Policy and Support, Department of Resources

MELDON, Mr Matthew, Acting Manager, Lands Policy and Support, Department of Resources

STONE, Ms Suzanne, Executive Director, State Valuation Service, Department of Resources

CHAIR: We welcome representatives from the Department of Resources who have been invited along to brief the committee. I invite you to make an opening statement, after which committee members will have some questions for you. If we could have any responses to questions taken on notice today provided to the committee by 4 pm on Tuesday, 19 September it would be appreciated. Thank you.

Mr Hinrichsen: First, I would like to acknowledge the traditional owners of the land on which we gather and pay my respects to elders past, present and emerging. I thank the committee for the invitation to provide this briefing on the Land Valuation Amendment Bill 2023, which proposes to amend the Land Valuation Act 2010 for particular purposes. As the committee is no doubt aware, the Land Valuation Act has one simple and clear purpose: to provide for how land is to be valued for particular other Acts. The statutory purposes for which land is valued are (1) for use in calculating land tax under the Land Tax Act 2010; (2) for setting local government rates under the Local Government Act 2009 and the City of Brisbane Act 2010; and (3) for calculating rent for state land tenures under the Land Act. They are the three statutory purposes for which land is valued under the Land Valuation Act.

Importantly, the process for determining statutory land valuations is overseen by Queensland's Valuer-General. The amendments contained in this bill do not change the role of the Valuer-General; nor do they change fundamental requirements associated with how land is valued. To be very clear, the proposed amendments will have no material impact on either rates or property taxes.

The objectives of the bill are simply to improve the administration and operation of the statutory land valuation framework to ensure (1) it is responsive to changes in the property market and operational environment and transparent in its operation; (2) valuations are consistent and defensible and the supporting processes such as objections and appeals are efficient and effective; and (3) there is a clear and consistent framework for determining when land is valued separately or combined based on land use and occupation.

In developing these amendments, the Department of Resources has engaged extensively with stakeholders including: the Local Government Association of Queensland; the Queensland Law Society; the Australian Property Institute; the Property Council of Australia; AgForce; the Queensland Farmers' Federation; and the Shopping Centre Council of Australia, to name a few. The Department of Resources undertook three rounds of one-on-one meetings with those entities during 2021 and 2022. In May this year, stakeholders were provided with details of the proposed amendments and were offered one-on-one meetings. Their feedback has certainly informed the development of the provisions of the bill.

I will not go into all of the amendments in the bill. Many of the changes, whilst important, are administrative in nature. They are well explained in the minister's introductory speech as well as in the explanatory notes in the bill. There are, however, a couple of key improvements that I would like to highlight for the committee's benefit. These relate to the proposed introduction of statutory guidelines and changes to the process dealing with landowner objections to valuations. First I will go to the statutory guidelines.

A key component of the improvements will allow the Valuer-General to make statutory guidelines to provide direction to registered valuers on processes, practices and considerations that are to be applied in the preparation of statutory land valuations. The need for such guidelines particularly relates to those situations where there are complexities associated with the subject land being valued. The guidelines will enhance statutory valuation processes by providing clear and consistent criteria, methods and examples for valuers when undertaking statutory valuations. This is to improve statewide practices. This is particularly important for complex property types—for example, volumetric lots, shopping centres, land affected by heritage restrictions and things like childcare centres, where there is not a significant amount of market information to otherwise inform the valuation process.

Some of these matters, as I am sure the committee would appreciate, are complex and need to be applied in a rapidly evolving property market. This will ensure consistency and accuracy in the valuation process. To be effective, the guidelines will definitely require input from key stakeholders. I can assure the committee that the Department of Resources is preparing and will finalise those guidelines in consultation with key stakeholders. Significantly, once the guidelines are finalised they will be publicly available. They will be downloadable from the department's website and they will be tabled in parliament and subject to statutory disallowance processes.

The other area of amendments that I would like to highlight relates to objection processes. As you can appreciate, the objection process is a significant and very important part of the land valuation process in providing for the right of individual landowners to object to the valuation that has been determined by the Valuer-General for their property. The bill proposes to make some improvement to the objection process. Currently, the Act provides for objection conferences to resolve an objection through the exchange of information to support the Valuer-General in making a decision on the objection that is lodged. These conferences have proven to be very effective at resolving objections without the need to go to the Land Court for adjudication.

The bill changes when an objection conference may be offered by removing the requirement on the Valuer-General to offer an objection conference when a valuation is greater than \$5 million. This threshold was introduced as a proxy to reflect the complexity of the valuation, but a monetary threshold is only one of the factors that influences complexity. Other factors such as the availability of market evidence and unique property attributes often have a much greater bearing than just the value. The criteria for when to offer a conference will be developed in consultation with stakeholders to better reflect the complexity associated with particular valuations. That brings my opening statement to a conclusion. My colleagues and I would be pleased to answer any questions that the committee may have.

CHAIR: Thank you very much. I might go to the member for Toowoomba North first, because I understand he has to leave us at some stage.

Mr WATTS: I appreciate that, thank you. I have a question to do with valuations being consistent and defensible, but it overlaps with compulsory acquisition. I have a situation locally where Main Roads are looking at putting category C over the top of multiple properties and people are trying to understand how that will affect their land value. I am interested in how this act would interact with a designation of category C or even the beginning of a process like that in terms of it affecting the material value of someone's property.

Mr Hinrichsen: I might seek some clarification. This bill does not impact on any aspect to do with a valuation associated with that provision.

Mr WATTS: No, I understand that, but if category C is put over a property that would affect the land valuation of that property. I am trying to work out whether that is the case and what is the mechanism for that.

Mr Hinrichsen: Again, to seek clarification, are you referring to the market value of the property?

Mr WATTS: No, I understand the distinction. You have said that there are multiple factors when considering the land value. Its inability to be developed on, because it has a category C over the top, would significantly affect the valuation of the property; correct?

CHAIR: I think they are saying that it is not to do with this bill. Is there any answer you could give the member, to give him some satisfaction?

Mr WATTS: Chair, if I may, the valuation needs to be consistent and defensible. If I have a valuation and six months later category C is put over the top, is my valuation the same?

Mr Hinrichsen: I appreciate the question, and thank you for the clarification. It is beyond the bill, but certainly my colleague John Groenendyk, who is one of the two registered valuers at the table—I am not and Suzanne is not—as the acting director of the State Valuation Service, would be able to help in responding to that question.

Mr Groenendyk: Notice of intentions to acquire are considered in the valuation. They are a consideration, so we would look at each case on its own merits and decide whether there was an impact on the valuation.

Mr WATTS: For clarity, category C could be for 15 years, but that would affect the immediate valuation of the property?

Mr Groenendyk: If we thought there was some impact to the valuation, yes. Again, each case is on its own merits in those particular cases.

Mr WATTS: Thank you.

Mr HEAD: Thank you all for being here. You have reiterated the minister's comments that this bill will have no material impact on land prices. Can the department guarantee that it will not have a material impact on any land taxes or council rates across the state?

Mr Hinrichsen: It will not fundamentally change the valuation methodology and the process. Of course, the matter of setting council rates—and, for that matter, land tax—is outside the jurisdiction of the Department of Resources. Fundamentally, this bill and the amendments are about ensuring greater consistency when it comes to the way land is valued. Otherwise, there is no overall material change in the underlying methodology associated with land valuation and how it is determined. When it comes to me making guarantees—

CHAIR: We would not expect you to guarantee anything, no.

Ms PEASE: Thank you very much for coming in today. In your opening statement you spoke with regard to amending the \$5 million threshold for the objection process. Could you enlarge on that and give me an example of the complicated type of inquiry that it might resolve?

Mr Hinrichsen: I will get my colleague John Groenendyk to provide a bit more detail on that example, but fundamentally the current threshold is \$5 million. That threshold was set some time ago, so it is fixed in time. When we were looking at that, rather than just index that and they will have the same issue, the intel we received is that the correlation between value and complexity is not strong. We know that these objection processes are very effective in getting an agreed outcome or facilitating moving towards getting an outcome that parties are happy with, as opposed to going to the court, which is still a relatively straightforward process compared to the higher courts. The Land Court is the court of merit and goodwill, but it is still a court. This amendment is to, if you like, broaden the scope

to be able to use those independently chaired conferences to seek to resolve more of the objections without needing to go to Land Court. It does not remove the ability of an objector to take their case to the Land Court, so it is not instead of. It is just a process that seeks to bring the parties together and provide information so that the Valuer-General can consider the information that has been provided in whether the objection has merits.

Ms PEASE: I would suggest that it would be more cost effective and timely, particularly for the people who are objecting.

Mr Hinrichsen: That is the intent, certainly. As I said, if a party seeks to continue beyond that, they do not lose that opportunity. I will refer to John, who I am sure can provide some more interesting case studies where this is particularly relevant.

Mr Groenendyk: Volumetrics are really a good example. You can have a multilayered scheme which has multiple volumetrics under different bodies corporate, and individually they might be valued at less than \$5 million but they are complex. Getting the representatives or the owners in, or the representatives of the bodies corporate, to have a conference in this case would probably be beneficial.

CHAIR: That is something we heard, so I appreciate you answering that. What is the general response you have received from stakeholders? We have obviously had some submissions that you will no doubt get to see at some stage. What is your overall response from stakeholders and have you made any changes as a result of those stakeholder submissions?

Mr Hinrichsen: Absolutely. As I indicated, that consultation started in 2021 and we wanted to cast the net very wide to get input, as opposed to, 'Here is our bill. What do you think of it?' Even the scope of the bill itself certainly has been significantly influenced by the input we got from the stakeholders. As I am sure you will see in the submission, there will not be universal acclaim for every provision in the bill, but we think the bill represents a pretty reasonable balance between the concerns and the opportunities associated with the amendments, particularly in relation to the statutory guidelines, where we see there are a lot of methodological issues the Land Court is ultimately being asked to adjudicate on, as opposed to there being an accepted approach, one that the Valuer-General will consult on before that is put into the statutory guidelines. Then the conversation turns more to the appropriateness of that methodology being applied in particular circumstances, as opposed to, 'Well, I have an alternative methodology that we think is more appropriate.' There is a place to have that conversation, but to have that conversation for every like appeal is not conducive to consistency. Importantly, we have administrative guidelines but moving them to statutory guidelines so that they then bind the valuers in making their assessments. For them to be statutory there is a requirement that they be tabled with the Queensland parliament and then subject to disallowance to maintain that oversight.

Mr WATTS: Referring back to the valuations being consistent and defensible, have there been any cases where that has been the main thrust of the case? What were the main outcomes of those cases and how does that inform what we are about to do?

Ms Stone: Would you mind clarifying your question, please?

Mr WATTS: Have there been cases where the main thrust of the case is that it is not a consistent and defensible valuation, and have we, as the state, won those cases or how has that informed this process?

Ms Stone: There have been a number of cases. Valuations represent the largest work flow for the Land Court of Queensland. On both sides the valuation is a professional opinion; it is not a science, so there are varying views on how the methodology is applied. We hope that things like statutory guidelines will help provide better and stronger guidelines for valuers on both representing the Valuer-General and representing the appellant in narrowing down their concerns.

Mr WATTS: Is my understanding correct that some of what is in this bill has come from those cases and the outcomes of those cases?

Ms Stone: Not strictly from the cases, but certainly from the stakeholder views that may be reflective of some of those outcomes.

Mr HEAD: What did the private valuing industry have to say in the feedback you received along the way about these changes?

Mr Hinrichsen: I will refer that to John, who probably has a better connection with the valuing profession.

Mr Groenendyk: The valuing profession, mainly represented by the Valuers Registration Board of Queensland and the API, the Australian Property Institute, were largely in favour in the consultations. They did not raise too many concerns.

Mr HEAD: Are there any concerns that they raised in particular?

Mr Groenendyk: No.

Mr HEAD: We have heard that this will not have a material impact on land prices and rates across the state, but it is changing some of the fundamentals of how land valuations in the state are done to make them more consistent. I am trying to understand more the—

Mr Hinrichsen: If I could perhaps help, land prices, which reflect the market connotation, are really a different thing. These are statutory land valuations and they are based on statutory criteria. For rural land it is the unimproved value, which is obviously different to what a market price would be, and for non-rural it is a site value, again different to market. I am not trying to be pedantic, but when people talk about valuations they are often talking about what a market valuation might be. These are not market valuations; these are statutory valuations used for those three purposes that I outlined. Otherwise, this bill does not change the fundamentals associated with the valuation methodology. It does not change any of the foundational provisions in the legislation.

Mr HEAD: In the state, yes.

Mr Hinrichsen: It just changes to provide better guidance, and significantly it also looks to ensure better efficiency in the objection process. There is more information that is fed into the objection process and the Valuer-General will consider that. There are consistent guidelines that inform how a valuation is then determined, and then there are also provisions that seek a report from the chair of the independent inquiry so that that information—the facts, if you like—that were provided into that hearing can be considered by the Valuer-General when the Valuer-General puts her mind to the merits of the objection.

Mr WALKER: Going back to the process of negotiation rather than going to court, bogging down the court system, incurring big expense and finding the resources to go through that process, you see this new process as encouraging more people to have a look at their valuations compared to previously, where they had to go to court, which becomes expensive, so they stepped away. Do you think this is a more fair and just process where you may get more of those challenges to the valuation?

Mr Hinrichsen: I do not know if it will encourage more, because it is still a significant issue to submit an objection to the valuation. It still comes with the onus of proving that the valuation is not appropriate. That is a pretty high bar for many people, but, obviously, particularly those categories of tenure that are subject to land tax, it is a significant financial issue to get a change in your valuation, so we are seeing more and more of those types of valuations being contested. That is the right of the tenure holder. It is just now a question of making sure we have efficient, effective processes that, where possible, can resolve those objections without the need for large numbers to end up in the Land Court. As my colleague Ms Stone indicated, the Land Court's workload is hugely dominated by objections to land valuations under the Land Valuation Act. If we can get better processes to resolve without the need to go to court, or stopping people going to the court, but with the need for them to get a good hearing, then that is the outcome, from our perspective.

Mr WALKER: In relation to the residential valuation on the domestic scene, as a former councillor I know that there is confusion around, as you touched on just a moment ago, the sale price and what their perceived valuation is and the underlying valuation done by the department. Do you think we can do some more education around those two processes? It must put a lot of pressure on your staff when people say, 'The valuation is not high enough because I sold my property or bought a property for this,' or, 'It is too high and now my rates are.' Do you see there is a need for education, because I see it gets worse as we move forward?

Mr Hinrichsen: That is a good question. My colleagues in the State Valuation Service no doubt have views on that. I will pass to Suzanne, but I know that most people do not wish their statutory valuation to be higher. I think most people get the correlation with rates pretty well. It does happen, but it is pretty rare that we get an objection asking for a higher valuation. In terms of that extension material communication, I will pass to Suzanne.

Ms Stone: Certainly it is our hope to build stronger relationships with stakeholders and work on educational opportunities with them and their members, and help inform the general public around what statutory land valuations mean for them and how the values are derived. It is a work in progress.

CHAIR: Looking at my rates notice, and seeing that my property is worth way more than that, I do not want to be rated on the higher value. I certainly get that.

Mr WATTS: Obviously everybody wants their statutory valuation low, so that they pay less tax of one form or another, and their actual valuation high for the market. Why do we run these two quite different processes? Why is there not a closer reflection of market value?

Mr Hinrichsen: We could probably fill up the next hour with that. It is a real topic, and other jurisdictions have grappled with that—moving to a valuation system that is more about the property value, the market value. It gets into a space then of how you consider the improvements, the investment and sometimes whether that is appropriately taxed. Historically, we have always had a land tax—and, for that matter, rates—which is about the value of the underlying land in its unimproved state. More recently, in terms of site valuation for urban areas, it is beyond my pay grade obviously to talk about bigger reform in that space to move to a property valuation regime as opposed to one that values the underlying land.

CHAIR: That concludes this briefing. Thank you all for your attendance today. We do appreciate it. A transcript of these proceedings will be available on the committee's webpage in due course. I declare this public briefing closed.

The committee adjourned at 9.30 am.