



# The Journal

JOURNAL OF THE MUNICIPAL GROUP OF VALUERS VICTORIA  
A.B.N. 68 808 870 878

MARCH 2009

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### 1.0 OUTGOING CHAIRMAN'S MESSAGE



It is a pretty scary thought when you start realizing that what your parents told you might actually be correct.

Things like: “the older you get, the quicker the years race by.”

This past year has certainly raced by for me.

As usual there have been many things happening in a work sense during the course of the year but the single most significant event that has rocked our communities has been the existence and on going threat of bushfires over the summer period.

Our thoughts are with the many members of our community that have been directly & indirectly affected by the recent bushfire tragedies devastating families and communities throughout Victoria. I am sure that as weather conditions ease many of

our members will be assisting our adjoining municipal valuers with the additional workloads resulting from the bushfire events.

Many of the recurring topics have been debated & discussed again throughout the year. These have included:

- VBP 2008 review
- VBP 2010 suggestions for improvement
- Valuation of Land under Roads – position paper on methodologies
- Continuing involvement in Specialist Property Guideline Papers

We also hosted two very successful functions during the year.

- **2008 Revaluation Launch** held at the Champions Room, Federation Square, Melbourne. This event was attended by over 200 Valuers and property professionals and provided a great opportunity for discussion on the emerging trends following the return of the 2008 Revaluation.
- **2008 Country Conference** held at the RACV Resort, Inverloch. This event provided an entertaining and informative insight into the practices and proceedings at VCAT and demonstrated by a mock VCAT hearing. Members were also able to enjoy a tour of some of the spectacular coastline and property in this region of the Bass Coast.

The other most importantly & significant event to affect municipal Valuers this year was the release in December 2008 by the Valuer General Victoria of the Discussion paper- “ The Review of Rating Authority Valuations in Victoria.”

The proposal put forward in this paper to centralise the valuations for rating authorities within the Valuer Generals Office was **overwhelmingly rejected** by MGV members throughout Victoria and this view was presented in the MGV submission on the Paper. We now wait in anticipation of the next round of discussions in this Review & I encourage members to continue to voice their views in every forum that provides an opportunity.

Putting aside the potential uncertainty introduced by the discussion paper on Rating Authority Valuations in Victoria and its impact on the future role of contracts & employment into the municipal valuation profession the Municipal Group of Valuers has had another successful year.

I would also like to take this opportunity to congratulate David Corrigan (Immediate Past Chairman MGV) on his successful election to the API (Vic Div ) Board and to Justine Jacono on her appointment as a Valuation Panel Member of VCAT.

In conclusion I would like to wish the incoming Executive a successful year ahead and to thank members of the outgoing Executive for their commitment and hard work in representing your views as a united team during my term as Chairman.

**Russ Anthony**  
**Chairman 2008/2009**  
**Municipal Group of Valuers**

## 1.1 EXECUTIVE COMMITTEE FOR 2009

Chairman	Brendan Sheales
Senior Vice Chairman	Pauline Lawson
Junior Vice Chairman	Mark Sanderson
Treasurer	Peter Kemm
Editor	David Corrigan
Country Representative	Wayne Forbes
Committee Person	Brett Reed
Committee Person	Rodney Patel
Committee Person	Lauren Watson
Committee Person	Chris Barrett
Committee Person	Ken Flude
Immediate Past Chairman	Russell Anthony

## 1.2 INCOMING CHAIRMAN'S Address from AGM Feb 20th 2009



Despite my best efforts to arrange the Chairmanship for a 'quiet' year, when most of us are too busy with revaluation obligations and other commitments to worry about political fun and games, it appears that the Valuer General has intervened to ruin that plan !!

There is no doubt that this is a major issue for the Group, potentially one of the most important for some time, and I can't offer enough praise to my predecessor for his efforts, commitment and the resultant submission – which clearly express the views of the majority of members. My main focus, as with the rest of the Committee, is to continue this work and to maintain the pressure on those who may be influential in the decision process.

However, there are a number of other issues to attend which will become increasingly important during a slowing market. The continued development of the Specialist Guideline Papers; improvement of 'our' understanding and use of the VCAT process; and the increased flow of sales information between members all need to be pursued. Amongst, I dare say, a number of other as yet unknown items !

I have the honour of formally thanking three people who have been instrumental in the continued improvement of the services offered by the MGV over the last few years – Justine Jacono and Ray Buckley who have moved on (although the former only to the 'parent' body at the API); and obviously the Past Chairman Russ Anthony. Their efforts and inputs have been both effective and appreciated. Finally, I am pleased to welcome to the Executive Lauren Watson and Chris Barrett, along with Pauline Lawson and Mark Sanderson as Senior and Junior Vice Chairman, respectively.

**Brendan Sheales**  
**Chairman**  
**Municipal Group of Valuers 2009/2010.**

### 1.3 DES RUTTER LECTURE

#### Impacts of Climate Change on Property and Valuations-Presented by Mr Jim Houlahan



Jim Houlahan  
Team Leader Property (Strategy)  
Mornington Peninsula Shire

Jim presented an informative extensively researched and passionate presentation on the impacts of Climate Change on Property Values. He has many years in the valuation industry as an assistant Valuer at the Shire of Lilydale, assistant to Larry Cotton-Stapleton (Valuer), City Valuer at Chelsea, Shire Valuer at Hastings and currently the Mornington Peninsula Shire completing specialist projects in the property section. Throughout these years of experience he has developed a strong respect for the effects of climate change and is a forerunner in promoting the effects it may have on our future.

Jim provided thought provoking impacts, recognised that many do not as yet take the threat seriously and provided numerous statistics, slides, and graphic examples of trends both globally and locally. Conclusions are that Australia is in its infancy and remains very inefficient compared with other climate aware countries in relation to housing construction, siting, sustainability and energy star ratings.

### 2.0 INCOMING CHAIRMAN'S PROFILE – Brendan Sheales

Brendan Sheales is a Westlink director and a valuer with over 20 years experience. Prior to establishing Westlink in 1997, Brendan worked for seven years as a valuer with the Commonwealth Bank of Australia (CBA) Since establishing Westlink, Brendan has continued to provide services to CBA whilst also managing the revaluation of commercial industrial and specialised properties for a number of local government clients. Brendan also contributed greatly to first Specialist Guideline Paper on shopping centres



## **2.1 EXECUTIVE PROFILES**

### **Senior Vice Chairman – Pauline Lawson**

Pauline has over 20 years experience in municipal valuations and is currently employed as the Senior Valuer at the City of Casey. Pauline has worked at the Cities of Kew, Doncaster and Templestowe, Hawthorn, Mordialloc, Greater Dandenong and the Bass Coast Shire. She has also worked as a contract valuer with Matheson Stephen Valuations at Whitehorse and Mornington Peninsula. Pauline has held previous positions on the MGV executive of treasurer, journal editor and assistant secretary.

### **Junior Vice Chairman – Mark Sanderson**

Commenced his valuation career with the former City of Camberwell in 1984 and has been involved in both contract municipal valuations and private practice since.

Mark is currently employed as the Senior Valuer at the City of Greater Bendigo and prior to rejoining Local Government on a full time basis was a director of Countrywide Valuers.

### **Treasurer – Peter Kemm**

Peter is currently the Valuer at the City of Banyule. Prior to the City of Banyule Peter worked for the City of Sunshine and City of Knox. We are very fortunate to have Peter once again as treasurer and being able to also draw on his extra qualifications having a degree in accounting.

### **Editor – David Corrigan**

Past chairman of the MGV 2007/08, Divisional Board Member API 2009. Cadet and Deputy City Valuer City of Berwick 1984-1990, Shire Valuer of Cranbourne 1990-94, City Valuer City of Casey (Cranbourne Office) and Economic Development Officer 1994 – 1996, Senior Valuer Market Line Property Valuations 1998-2001, Revaluation Project Manager for Matheson Stephen Valuations contract at the Mornington Peninsula Shire 2001-2004, Revaluation Project Manager at the Mornington Peninsula Shire “in-house” 2005 to date.

### **Committee Member – Brett Reed**

Brett has been involved in statutory valuations for over 20 years. Brett has worked for the City of Moorabbin, City of Oakleigh before moving to the private sector. Brett opened the valuation division of K.A Reed (Group) in 1990 which services both Local Government and the private sector. Brett has been part of the Executive Committee since 2002 and is renown for sound and thorough investigation into issues.

### **Committee Member - Rodney Patel**

Rodney has been a Director of Patel Dore Valuers since the company commenced in 1995. Prior to this Rodney was employed at the former Shire of Lilydale and City of Hawthorn. In addition to his involvement with municipal valuations at several municipalities, Rodney provides advice to the Valuer Generals Office, trustees, financial institutions and has appeared at VCAT as an expert witness.

#### **Committee Member – Wayne Forbes**

Commenced his valuation career in 1973 in Hamilton New Zealand with what was then the governments Valuation Department, which at that time under took all the statutory valuations. After a stint farming came to Australia in 1987 and was employed by the Government in South Australia as a municipal and pastoral valuer initially at Port Augusta and later at Murray Bridge. Commenced in Bendigo 2003 as Valuation Manager for the City of Greater Bendigo and built up an in house valuation team.

#### **Committee Member – Ken Flude**

Ken worked as a Cadet then Assistant Valuer at the City of Mordialloc from 1974- 1980, and City Valuer from 1980 to 1983. He then was successful in obtaining contract work in Hong Kong from 1983 to 1993 with the Lands Department, primarily involved with acquisition, lease modifications, sale of land, rent reviews and general land administration. Upon returning to Melbourne, Ken as a Director of Western Valuation Services, has the Hobsons Bay rating contract and also assists Brett Reed at Kingston.

#### **Committee Member – Lauren Watson**

Lauren joined the Mornington Peninsula Shire in 2005 and is currently undertaking her Bachelor of Business (Property) through University of Western Sydney. Prior to this Lauren worked in Property Management in New South Wales, Victoria and Tasmania for 8 years.

#### **Committee Person – Chris Barrett**

Chris is currently a Manager and Senior Valuer for Southern Cross Property Services having been involved with statutory valuations since 2000 over a number of municipal contracts. Chris has also worked as an Investment Analyst assessing Unlisted Direct Property trusts around Australia and overseas. Prior to a career change into property, Chris worked as an Industrial Chemist and in a number of Production Management roles.

#### **Immediate Past Chairman – Russ Anthony**

Past chairman of the MGV 2008/09, Russ is the Manger Property Valuations at Bass Coast Shire. Russell's extensive municipal experience includes working for the Councils of Mornington, and former Councils of Flinders, Berwick, Hastings and Doncaster, not to mention several years as a private valuer.

#### **Incoming Executive Committee 2009/2010**



Pictured: Standing, D. Corrigan, K. Flude, P. Kemm, P. Lawson, C. Barrett, L. Watson, M. Sanderson  
Seated, R. Anthony, B. Sheales, W. Forbes  
Missing: B Reed, R. Patel

## Outgoing Executive Committee 2008/2009



Pictured: Standing, K. Flude, P. Kemm, M. Sanderson, P. Lawson, W. Forbes, R. Anthony, R. Buckley, R. Patel  
Seated, B. Sheales, J. Jacono, D. Corrigan  
Missing: B Reed

### 3.0 Treasurers Report

Open balance	1/1/2008	\$33,245.44
Income		\$63,826.88
Expenses		<u>\$61,753.49</u>
<b>Close balance 31/12/2008</b>		<b>\$35,318.83</b>

#### **2009 subscriptions are now due and payable**

Please note **change of postal address** as follows:

Treasurer MGV  
C/- Australian Property Institute  
10 Beach Street  
Port Melbourne VIC 3207

### 4.0 Rating Authority Valuations – VGV Discussion Paper released December 2008 – MGV response

#### **The future direction of Rating Authority Valuations in Victoria**

##### The Proposal

In December 2008 the Valuer General Victoria (VGV) distributed a Discussion Paper - The Future Direction of Rating Authority Valuations in Victoria.

The Discussion Paper outlines his proposal to centralise the process for assessing Rating Authority Valuations in Victoria.

The Government proposes that the changed arrangement be implemented by June 2010 to prepare for the commencement of the 2012 revaluation cycle.

Briefly the main changes in the proposal are:

- State wide centralisation of the property valuation process
- State wide centralisation of all property/valuation data
- Valuer General Victoria to be the Rating Authority for all rating valuations in Victoria
- All valuation contracts managed by the State Government, through the VGV
- Larger contracts, incorporating groupings of local government areas
- Objections and inquiries to be administered by the VGV
- Sale of property/valuation data by VGV

### **The Municipal Group of Valuers (MGV)**

The MGV is a special interest group of the Australian Property Institute (Vic Division) having approximately 190 members. Our membership encompasses municipal staff valuers, contract valuers, corporate members and other valuation professionals employed under each of these different service provider structures in delivering valuation services to local government.

The MGV has been a leader and integral player in the development and innovation of rating valuation improvement since it was founded in 1931. This has been achieved through professional development activities run by the group and includes the adoption and contribution to the more recently introduced Valuation Best Practice Guidelines.

The purpose of our group is to meet to discuss issues of common concern in the municipal valuation field such as rateability, occupancy, objections, sales information, legislation and continuing professional development. It provides the forum for rigorous debate and discussion.

The MGV represents the valuation professionals involved in the municipal valuation industry and are the recognised experts in this field. They are acutely aware of the operational framework in which they currently do business and the changes that this proposal will make in the industry.

### **SUBMISSION – MUNICIPAL GROUP OF VALUERS**

This submission is made in the format requested in the discussion paper by responding to three questions as listed.

In summary our response is as follows: Details on each of the issues in the paper are addressed in the responses in question three.

#### **1. Do you support the proposal for the Valuer-General to assume responsibility for management of rating authority valuations?**

The Municipal Group of Valuers **DOES NOT** support the proposal.

The arguments presented for the centralisation of the rating valuation function do not demonstrate any tangible improvements in the provision of valuation services to municipalities in Victoria nor do they demonstrate greater or improved business scope or opportunity for members of the Municipal Group of Valuers.

#### **2(a) Are there particular aspects of the proposal which you – Support?**

The MGV **SUPPORTS** the following proposition in principle put forward in the proposal.

- Centralised property data base accessible to the wider community

However, we do not believe that the centralization of the **valuation process** to the State Government is the appropriate vehicle to achieve these outcomes.

#### **2(b) Are there particular aspects of the proposal which you - Do not support?**

The MGV **DOES NOT SUPPORT** the following propositions put forward in the proposal

- Centralisation of the valuation, objection, and appeal process which removes responsibility for the valuations from the Local Government level.
- Compulsory use of contractors as the only valuation service provider

#### **3. Any additional comments you wish to make?**

The MGV has serious concerns over the lack of factual detail presented in the Discussion Paper and the limited timeframe provided for our response.

### **ACCESSIBILITY TO A SUSTAINABLE VALUATION DATA BASE**

The discussion paper identifies the stated outcomes of this proposal to be:

- An enhanced legislative framework that provides Victoria with more accurate, accessible and authoritative state wide valuation data.
- A streamlined system for the collection and dissemination of valuation data that allows validated data to be easily accessed by users from a single source.

- A single statewide, uniform valuation databases that facilitates data sharing.

The desired outcome to achieve a single, state wide uniform valuation base that facilitates data **sharing could be achieved** by the State Government establishment of a Central Repository for the valuation data.

This data should continue to be generated and maintained at the local level as is currently being achieved under the existing model.

As MGV members we recognise the value of this intellectual property data collected for valuation purposes on a daily basis in our work. We also recognise the value that this data could add to the community through other levels of government & the business sector having access.

We support avenues of opportunity for our client Councils to utilise this asset and to protect their ownership & investment in it.

Some avenues may include for example;

- Local Govt / State Govt User Licence Agreements on a shared fee basis
- MAV Custodianship & Brokerage on behalf of Councils on a user pays basis

The MGV would be happy to work with Local Government and State Government to develop a pathway for this property data to be accessed by the wider community.

**The MGV believes the centralisation of the rating valuation function as a means to gain access to property data with sustainable integrity is not the appropriate vehicle.**

#### **CONTRACT AND EMPLOYMENT OPPORTUNITIES**

This proposal will narrow and limit the scope of employment choices currently available to MGV members.

Currently members have a range of employment choices including multiple site contract operators, single site contract operators, in house staff valuer positions and the opportunity to interchange depending on choice.

**All the current business models will terminate.**

There will be no opportunities for contracts to be awarded on a municipality level as the changes envisaged the grouping of municipalities before contracts are awarded.

Sole trading professionals will have to either sub-contract to the head contracting firm or seek specialist valuation contracts.

Existing small contractors will be forced to change their business model to tender for Super contracts, become sub-contractors or form alliances with larger contractors.

Some councils may retain in house valuers/property advisers, but this is not related to undertaking municipal valuations.

The ability of members to have a choice in determining the location and form of individual employment opportunities in the municipal valuation profession will be dictated by the VGV proposal of one model only.

There is a risk that there will be a loss of senior valuation experience as the changed employment model and choice may result in senior valuers choosing not to continue in the industry.

#### **CONTRACTS FOR SPECIALISED PROPERTIES**

The proposal identifies an opportunity to have state wide contracts for specialised properties. While this may enhance relativity issues across the State there is danger of a monopolistic situation developing. The MGV along with the VGV have previously gone to considerable effort to develop guidelines and ensure relativity across boundaries, In assessing the current system there are councils that currently outsource specialist work.

At present the cost of providing municipal valuations for specialised properties is generally quoted at the general commercial/industrial assessment rate, and absorbed into a larger contract.

There is the risk that in itemizing these type properties for specialist contracts, the cost of the service may substantially increase.

#### **IMPROVED QUALITY OF VALUATION DATA**

The Discussion Paper does not provide detail on how the centralisation of the rating valuation function will result in the delivery of improved quality of data .

The statement that the quality of the data will be improved under the proposal is perception only as there is no indication as to how this is to be measured and what quality checks may be put into place. Under the proposed system, Councils will lose control over costs and will have lost the control they had in ensuring/upgrading the quality of the data.

**The integrity and accuracy of the existing property data** is a result of the propriety interest which municipal valuers possessing the local knowledge and expertise take in undertaking municipal valuations. **This is reflective of contract & staff valuers alike and it is the contractual relationship at the local level that promotes & encourages this.**

The data provided to the VGV is very specific and is set out in their Valuation Best Practice (VBP) document, a document which must be utilised by all 79 Councils and their valuers. Many data elements are also established in VLA Regulations. All valuation outputs are therefore prescribed by the VGV and returned according to its own guidelines.

If there is some concern that data is being returned in a manner inconsistent with VBP, the Valuer General could more vigorously enforce those requirements. Although the VBP specification is published as a "guideline" for reference by municipalities and their valuers, the fact is that the VBP document forms the basis of most valuation contracts.

**The MGV supports the VBP document** as a continuing guideline in improving rating valuation standards and consistency of data. However, the continuing improvements to be gained through **the application of VBP are not dependent on the centralization of the valuation process.**

#### **LOCAL KNOWLEDGE AND RELATIONSHIPS**

In the current model the business relationship is between the council and the valuation service provider. This fosters a local presence for the valuer and encourages a close day to day working relationship between other stakeholders in the Council such as Town planners, rates office, building staff. This relationship greatly enhances and assists the valuer in building local knowledge and local information.

Under the VGV proposal there will be **no contractual relationship between the valuation service provider and the Council.** This bank of local knowledge and relationship is likely to disappear as the council will not be a party to the contract. Instead it will become an end user or purchaser of the valuation.

The quality of the valuation may deteriorate because the day to day availability of the local resources will not be available.

#### **COST CONSIDERATIONS**

The VGV proposal presupposes that there will be costs savings through the economies of scale of larger super contracts. There is however no publicly available financial modelling.

Our considered view is that the cost base is still unknown and there is no evidence presented that confirms larger contracts across municipal boundaries will be cheaper. Contracts may even result in more expensive valuations. Proposed new work flows will include additional steps that may result in delays in completing supplementary valuations and therefore potentially reducing Council supplementary rate revenue.

**The client contract base of all existing operators will be up for tender.**

Under the proposal all relationships will need to start again at the State Government level. The cost base, contract length, options and structure of contracts are all unknown.

The reduced number of contracts available and hence opportunity may well result in reduced competition with a resultant increased cost to provide the same standards and level of service.

### **VGV HISTORICAL PERFORMANCE**

The VGV does not have a solid track record at managing the existing components of VBP, in particular the audit and stage approvals process.

Until performance and user confidence in the VGV's capability is proven, serious concerns over its ability to deliver the valuation outcomes detailed in the document exist.

Under a centralised model, appropriate management is critical as it impacts on the quality and timeliness of valuations at a local level.

### **CONCLUSION**

#### **The Municipal Group of Valuers:**

- Is of the view that rating authority valuations are most effectively and most efficiently delivered at the local level by the direct relationship that exists between the council and the valuation service provider.
- Supports the principle of a Centralised Property Data Base.
- Is of the view that the best way to achieve and maintain the data quality input into that data base is by the rating valuation relationship at the local level.
- Is not convinced that the VGV proposal to become the Rating Authority for all statutory valuations in Victoria by centralising the rating valuation function is the best way to achieve the desired outcomes.
- Looks forward to the opportunity to work with the State Government and Local Government in establishing a centralised property data base that could deliver all the desired outcomes.

### **5.0 FORTHCOMING EVENTS:**

Annual Country Conference - Dates to be advised

### **6.0 NEW MEMBERS APPLICATIONS**

<b>Name</b>	<b>Place of Employment</b>
Jarrod King	K.A.Reed (Group) Pty Ltd
Marsetyo Njoo	K.A.Reed (Group) Pty Ltd

### **6.0 NEXT GENERAL MEETING:**

Where : Australian Property Institute  
10 Beach St Port Melbourne

When : To be advised

Time : 3.00pm

Guest Speaker: To be advised

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