



Office of the
Valuer-General

Valuer-General's Policy

VGP 03/2021

Retirement Villages and Independent Living Units

Approved: 31 March 2021

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Note: Words and acronyms that are in italics in this Policy, that are not part of a 'quote' or legislative reference, have a meaning as outlined in the definitions section.

PURPOSE

The purpose of this policy is as follows:

- To clarify the identification of retirement villages and independent living units for inclusion by this policy,
- To ensure consistent valuation record management for all retirement villages and independent living units is undertaken and maintained, and
- To ensure that best valuation principles are applied in undertaking the assessments of land in scope.

IMPLEMENTATION

This policy supersedes:

- Retirement Villages Policy 1993 and amendment of 1998
- Retirement and Aged Care Facilities Policy 2014, and
- Any other policy, direction or guideline relating to this property class.

BACKGROUND

There is extensive history relating to this property class which shall not be detailed herein, however can be referred to in the Valuer-General's submission to the 2019 Joint Committee on the Valuation Policies and Charges on Retirement Villages. Such documentation is retained in the master file in the Valuer-General's office with electronic copies retained in Hansard.

That history has led to a circumstance where the administrative construct of this property class is inconsistent and as such, the valuations ascribed and the manner in which they are rated and taxed is similarly inconsistent.

This policy seeks to bring the records into a definitive, consistent structure to facilitate consistent rating and taxing practices. It is noted that this policy cannot influence rating and taxing authorities and their practices and as such is limited to ensuring consistency in record administration.

CONSULTATION

As detailed within the background documentation, the bringing of all records into a consistent format may result in variations to existing rating and taxing practices. This policy, with supporting data, has been opened to the following statutory clients and stakeholders for consultation with the intention of minimising those impacts. It will be the responsibility of each of the below to administer their policy accordingly. The Valuer-General's responsibility is limited, with regard to the *Valuation of Land Act 1971 (VL Act)*, to the creation and maintenance of the valuations without regard to their application.

- Local Government Association
- All Local Governments, for Council Rates
- SA Water, for valuation based sewerage and water supply charges
- Revenue SA, for Emergency Services Levy and Land Tax
- Natural Resource Management Boards, for the NRM Levy collected on behalf of the respective Board's by Local Government ¹
- Concessions SA, Department of Human Resources

As the 2019 Joint Committee collated extensive feedback, regard to those submissions has also occurred.

IDENTIFICATION

Research has revealed that in accordance with the *Retirement Villages Act 2016 (RV Act)*, retirement villages and independent living units are to be endorsed on the relevant certificates of title. This endorsement is to occur at the time of a conveyance and noting the relatively recent inception of that Act, that endorsement is not considered a definitive identifier at this time. As such, the Registrar of that Act also maintains a Register and is considered a more comprehensive and 'live' source.

In accordance with s 27 of the VL Act, the Valuer-General has requested and been furnished with a copy of the Register.

¹ This replaces the NRM Levy previously collected by the Natural Resource Management Boards, Following the enactment of the *Landscapes South Australia Act 2019*.

The Service Provider is to cross reference that Register with those Titles to identify the properties within Scope. In preparation for this policy, an initial cross reference has been undertaken, with a verbal understanding with representatives from SA Health to undertake similar cross referencing on an annual basis to ensure records are kept up to date. This will be the responsibility of the Service Provider to ensure this has been undertaken. Should it be found that properties have either been added or removed from the SA Health Register, changes to Land Use Code (LUC) and a Revaluation are to be undertaken for the next General Valuation and the property owners advised 90 days prior to that General Valuation coming into effect. Note that advice to property owners will be undertaken where possible and will relate to changes in value and land use code only. The Service Provider are to submit to the Valuer-General for consideration and approval, correspondence templates and the affected properties each year, prior to the issue of any such correspondence.

INITIAL ACTIONS

Previous practices, changes to use and the introduction of the RV Act has resulted in the LUC's currently applied as not necessarily being accurate. As such, an initial refinement of data is necessary to ensure that there is a single Land Use Code assigned to correlate to those properties as defined in the RV Act and identified in accordance with this Policy as being in scope. Those properties that do not qualify are to be reclassified as appropriate with regard to their predominant use.

Where properties are to be reclassified, the property owner is to be notified of the change.

Any village or grouping of properties that has one or more occupation that falls within the RV Act should have the Land Use Code 1760, 1765 or 1766 applied to the Parent Record. The occupancies may then have Land Use Codes applied at an individual level in accordance with their predominant use (eg. a café within a village will have the relevant 2313 code).

These actions are to be undertaken prior to the Policy taking effect for the 2021-2022 General Valuation.

ADMINISTRATIVE CONSTRUCT

Each Retirement Village is to be assigned a Valuation Record with each occupancy, whether it be an Independent Living Unit, retail premises, medical practice, office or other to be assigned a tenancy apportionment of that Valuation Record. Administrative records can be created where necessary. Where the occupancy is other than an Independent Living Unit, the appropriate LUC (eg. 2161 chemist) is to be applied.

The Valuation Record is to be created having regard to the principles outlined under 3.7.3.3 of the Land Services Agreement Valuation Services Operational Manual and direction as provided by the Valuer-General.

Generally a separate Valuation Record is required for each discrete parcel of land (i.e. an allotment, strata title unit, or community lot):

- that is legally capable of being marketed and transferred in the form in which it stands at the relevant date of valuation; and
- where a separate Certificate of Title would be issued on request, provided that in the opinion of the valuer, the allotment would be readily saleable

However, there will be instances where parcels of land with different titles can be valued co-jointly within a single Valuation Record, in particular where the improvements and operation span across multiple parcels of land. For this to occur the parcels of land need to be contiguous and in the same ownership.

Further principles for Valuation Record creation and administration under this policy are:

- Where ILU's currently have an individual assessment, that assessment is to be carried forward into the tenancy apportionment. The Service Provider can apply corrections to valuations or market based indexing where appropriate.
- The Valuation Record value is to represent the aggregate of all tenancy apportionments therein.
- Common property facilities are not to be assigned separate valuation or tenancy assessments, unless they are under separate physical occupation and Local Government require a tenancy apportionment to be created under s 168(1) of the *Local Government Act 1999* (see further discussion under Specific Valuation Assumptions).

Example:

- A coffee franchise operating out of the common facilities of a retirement village may require an occupancy record to be created for that separate physical occupation.
- Surplus land associated with a retirement village that is set aside for future development and expansion may be assessed on a separate Valuation Record for administration of Land Tax (see further discussion under Specific Valuation Assumptions).

VALUATION ASSUMPTIONS AND CONSIDERATION

Assumptions

For the purpose of determining a value under the VL Act the valuer must assume:

- The *land* is capable of being separately sold.
- The *estate in fee simple* in the *land* to be valued is *unencumbered* and the *valuation* is not of the taxpayer's interest in the *land*.
- The *willing buyer* and *willing seller* are hypothetical.
- For site value improvements on the *land* that are not exhausted are assumed to have not been made. These include buildings and structures, wells, dams, reservoirs and the planting of trees for commercial purposes.

Where the improvements are exhausted the valuer will need to give consideration as to how these improvements may affect the highest and best use, based on factors such as where these improvements are located on the *land* and the cost of demolition and site remediation.

- For site value improvements and structures in the nature of *site works* are not hypothetically ignored. These include:

- reclamation of the *land* by draining or filling, and any retaining walls or other structures or works ancillary to that reclamation;
 - the excavation, grading or levelling of the *land*;
 - the removal of rocks, stone, sand or soil from the *land*; and
 - the clearing of timber, scrub or other vegetation.
- For capital value if the value of the *land* is enhanced by trees planted on the *land*, other than commercial trees, or trees preserved on the *land* for the purpose of shelter or ornament, the *capital value* must be determined as if the value of the *land* had not been so enhanced.
 - For capital value trees planted for the primary purpose of commercial production of timber, or the prevention of degradation of *land*, or the disposal of effluent, or the provision of a habitat for wild life must not be taken into account in the *valuation* of the *land* (reg 10 VL Reg).
 - For capital value any item of machinery, plant or equipment that is used in connection with the *land* being used for purposes that are in scope of this policy, or trade, manufactory or other business must not be taken into account in the *valuation* of the *land* where:
 - It is not fixed to the *land* or premises; or
 - It is fixed to the *land* or premises so as to be capable of being removed without structural damage, other than minor or trivial structural damage, to the *land* or premises.

- For capital value any main, pole, transformer, wire, pipe, machinery, plant or equipment that is used in the connection with the generation and supply of electricity, the supply of gas or water or the provision of sewerage and is erected on *land* occupied by a public utility undertaking to the supply or provision of such services must not be taken into account in the *valuation* of the *land*, unless:
 - It is electricity generating plant, and substations for converting, transforming or controlling electricity that are used by a body specified by proclamation under clause 3(2) of Schedule 1 of the *Electricity Corporations (Restructuring and Disposal) Act 1999*; and
 - are situated on *land* to which a proclamation under clause 3(3) of Schedule 1 applies.

Considerations

Highest and Best Use

For the purpose of determining a value under the VL Act the valuer must consider the Highest and Best Use of the land with reference to VGP 08/2020 – Highest and Best Use, but:

- Must have regard in determining the Capital Value the limitations as to alternative uses of the land brought about by the rights to occupy improvements by agreements protected under general laws of the land and as such are not encumbrances. Other agreements that are not protect in such a manner, and are depreciatory in their effect on value, may be ignored.

Example:

A retirement village has 10 ILU built in the 1970's and common facilities on land situated near the coast, which would have a capital value greater than its current use if allowed to be used for residential land subdivision. The current license agreements for residents to occupy the improvements as protected by general law prevent the owner from bringing the occupations to an end and develop the land for that purpose, or to sell it for that purpose.

- In determining a Site Value with the improvements in use, and therefore not exhausted, it must be assumed the improvements had not been made and as such agreements to occupy such improvements are ignored. It can be the Site Value has a greater use than the Capital Value under such a statutory assumption, and therefore have a greater value. In such cases the Site Value will be amended to the same amount as the Capital Value.

METHODOLOGY

Valuation Methodologies

The valuer should have regard to best valuation principles when undertaking the assessment.

It is recognised that transactions of properties within scope of this policy are rare and information difficult to obtain. Best endeavours are to be undertaken on an ongoing basis to engage with active participants in the market to appropriately source required information to enable accurate valuations.

The valuer may utilise one or several of the following valuation methodologies – noting that should alternative methodology be necessary, approval from the Valuer-General must be sought.

- Direction Comparison
- Discounted Cash Flow Analysis
- Capitalisation of Income
- Piecemeal

Where there is a scarcity of directly comparable sales evidence, sales of other property classes may be utilised so long as the calculation assumptions and identification of analysis and valuation assumptions are documented on the Valuation Record.

In consultation with the Service Provider and industry experts, the following table has been developed to aid in forming natural grouping of like for like properties within this classification for mass appraisal.

Category	Sub-category	Identifiers
Apartments	Multi storey mixed use	<ul style="list-style-type: none"> - Two or more stories - Occupations other than ILUs
	Multi storey single use	<ul style="list-style-type: none"> - Two or more stories - ILUs only
Independent Living Unit Complex	Standalone ILUs	<ul style="list-style-type: none"> - Characterised as individual dwellings
	Mixed – Predominantly ILUs with some Higher Care Facility	<ul style="list-style-type: none"> - Characterised as individual dwellings with alternate use occupations also situated within the same complex*
	Mixed – Predominantly Higher Care Facility with some ILUs	<ul style="list-style-type: none"> - The improvements, with regard to predominant use principles, are associated with a higher care facilities with some ILUs also situated within the same complex*
Community / Strata Independent Living Units		<ul style="list-style-type: none"> - Individual occupations held under their own Title within a larger complex

Category	Sub-category	Identifiers
Complex with alternative Highest and Best Use		- The improvements are considered to be reaching the end of their economic life and with regard to Highest and Best Use Policy is considered to have greater use as a development site
Undeveloped / Balance of Land		- In the case where a portion of land is identified as separately saleable under the <i>Valuation of Land Act 1971</i>
Retirement Park		- Complex where the land is retained by the operator, land leases are granted, however the tenant owns the improvements

* Not title dependant

Information Sourcing

In accordance with s 28 of the VL Act, the valuer under authority of the Valuer-General can seek necessary information by way of an approved Land Owner Return, and interview complex operators utilising authority as granted under s 26(1) of the VL Act and other sources as deemed appropriate unless prohibited by the Valuer-General. The highest regard is to be had for the confidentiality and storage of such information in accordance with the Land Services Agreement. Due care should also been given to the potential vulnerability of occupants and access to any part of the property is to be done with permission of the operator / residents only.

Specific Valuation Assumptions

Common Property Facilities

Where a complex has access to common facilities, which are not the property of a statutory body (i.e. council), then the right of access to those facilities are to be reflected in the individual living units assessments. Such value is to be considered in a like manner to residential property where access to common property facilities (for example, a pool) is a consideration of the purchaser, but no separate consideration is exchanged for the privilege.

Common property facilities are not to be assigned separate valuation or tenancy assessments, unless they are under separate physical occupation and Local Government require a tenancy apportionment to be created under s 168(1) of the *Local Government Act 1999*. In such a case, that occupation will be valued separately and in accordance with its highest and best use on assumption of a separately saleable entity in accordance with s 16 of the VL Act and recorded as a tenancy occupation.

Undeveloped/Balance of Land

Where a complex has land which is yet to be developed, ear marked for future development or has the capacity/potential to be developed – such land is to be valued as a separately saleable entity in accordance with s 16 of the VL Act and recorded as a tenancy occupation.

Regard should be had for the principles of highest and best use and the physical characteristics of the land. If, for example, such a portion of land would only be saleable to the parent holding by virtue of its position and accessibility, then the value of that portion of land is to be representative of the reduced buyer opportunity.

Where the land has a broad market appeal with independent access, a Valuation Record may be applied.

Predominant Use and Land Use Code

Where predominant use is the primary consideration when applying a LUC, for the purpose of this Policy, where any property within the Valuation Record is noted on the SA Health Register, the Valuation Record Land Use Code will be in accordance with this policy – acknowledging that this is the only exception to normal practice for application of a LUC.

Tenancy occupations should have the LUC applied on a case by case basis in accordance with regard to predominant use as is the normal practice.

DEFINITIONS

Capital Value Has the meaning given to that term under s 5(1) of the VL Act. It is a statutory valuation used for the purposes of rating and taxing, and is the value of the *land* including structures and improvements.

Contiguous A parcel of land is contiguous when they abut one another at any point or if they are separated only by—

1. a street, road, lane, footway, court, railway, thoroughfare or travelling stock route; or
2. a reserve or other similar open space dedicated for public purposes

but;

The parcel of land of land will only be taken to be separated by intervening land outlined under 1 & 2 if a line projected at right angles from any point on the boundary of one of them with the intervening land would intersect a boundary of the other with the intervening land.

Estate in Fee Simple The most common freehold estate granted by the Crown. An estate in fee simple is the greatest estate in *land* and is for practical purposes the equivalent to absolute ownership. Note, however, that in Australia, no person other than the Crown can 'own' land absolutely.

Date of Valuation A *value* assigned to the *land* must be as at a date.

For the purpose of a *general valuation* made under s 11 of the VL Act, the date of valuation is determined by the *Valuer-General* under s 12 of the VL Act. Currently the date of valuation for this purposes is 1 January each year.

For the purpose of a *valuation* made under the s 15 *discretions* of the VL Act it is the date the determination of *value* is made, which can be different for the date of valuation for the *general valuation*.

Highest and Best Use	<p>Highest and best use is the use, from a participant² perspective, that would produce the highest value for an asset. The highest and best use must be physically possible (where applicable), financially feasible, legally allowed and result in the highest value. If different from the current use, the costs to convert an asset to its highest and best use would impact the value.³</p> <p>The asset in the case of this policy is the <i>land</i> and a participant in this case are the market participant.</p>
ILU	Independent Living Unit
LSSA	Land Services SA
LUC	Land Use Code, as determined by the Valuer-General
NRM	Natural Resource Management
RV Act	<i>Retirement Villages Act 2016</i>
SAILIS	South Australia Integrated Land Information System
Site Value	Has the meaning given to that term under s 5(1) of the VL Act. It is a statutory valuation used for the purposes of rating and taxing, and is the value of the land assuming structures and improvements had not been made, other than site works.

² In this case they are the market participant. See 20.8, *Participant*, under International Valuation Standards (IVS) Effective 31 January 2020.

³ See 140, *Premise of Value – Highest and Best Use*, under International Valuation Standards (IVS) Effective 31 January 2020.

Unencumbered

For the purpose of assessing the value of the estate in fee simple in the land, the valuer ignores other interests in or restrictions on use of the land which are depreciatory of its value other than restrictions imposed by virtue of generally applicable legislation such as planning legislation.⁴

VL Act

Valuation of Land Act 1971

Willing Buyer & Willing Seller⁵

A willing buyer refers to one who is motivated, but not compelled to buy. This buyer is neither over eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than in relation to an imaginary or hypothetical market that cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present owner is included among those who constitute “the market”.

A willing seller is neither an over eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the asset at market terms for the best price attainable in the open market after proper marketing, whatever that price may be. The factual circumstances of the actual owner are not a part of this consideration because the willing seller is a hypothetical owner.

The asset in the case of this policy is the *land*.

⁴ With reference to *Trust Company of Australia v Valuer-General; Perpetual Trustee Company Ltd v Valuer-General* (2008) 101 SASR 110 at [58] per Bleby J with whom Duggan and Anderson JJ agreed.

⁵ International Valuation Standards (IVS) Effective 31 January 2020, paragraph 30.2 (d) and (e), page 19.

LEGISLATION

- *Valuation of Land Act 1971*
- *Valuation of Land Regulations 2020*
- *Retirement Villages Act 2016*
- *Local Government Act 1999*

POLICY

This policy supersedes:

- Retirement Villages Policy 1993 and amendment of 1998
- Retirement and Aged Care Facilities Policy 2014, and
- Any other policy, direction or guideline relating to this property group.

STANDARDS AND REFERENCES


- International Valuation Standards (IVS) Effective 31 January 2020, International Valuation Standards Council.
- 2019 Joint Committee on the Valuation Policies and Charges on Retirement Villages

DOCUMENT CONTROL

Version

Version	Status	Date	Prepared By	Comments
0.1	Draft	30.9.2019	K Bartolo	Initial outline
0.2	Draft	3.12.2019	K Bartolo	Draft
0.3	Draft	12.2.2019	K Bartolo	Draft
0.4	Draft	6.4.2020	K Bartolo	Draft – Following methodology workshop
0.5	Draft	30.9.2020	S Howson	Consolidation of LSSA and OVG feedback
0.6	Draft	7.10.2020	K Bartolo	Final review prior to LSSA feedback
0.7	Draft	5.1.2021	K Bartolo	Edit ready for presentation
0.8	Final	29.03.2021	K Raftopoulos	Final draft preparation for VG to sign

Approval

Name and Position	Signature and Date
Katherine Bartolo Valuer-General	 <p style="text-align: right;">31 March 2021</p>

Next Review

Date	Comments
31 March 2023	Bi-annual policy review or as needed.