

Retaining Shacks on Crown land and in national parks election commitment

Valuations under the *Crown Land Management Act 2009*

Freeholding

Amendments to the *Crown Land Management Act 2009* (CLMA) made in early 2020 provide for the Minister for Environment and Water to dispose of Crown land on surrender of a Section 78B lease (life tenure lease applying to the land) by transfer or grant of the fee simple to the lessee or a nominee.

In doing so, the CLMA requires that the Minister for Environment and Water must not dispose of Crown land for less than the market value of the Crown's interest in the land.

What is the Crown's interest?

The Crown's interest in the land is the value of the land for the permitted use of 'Holiday Accommodation' purposes.

It does not include any improvements made by the lessee such as the buildings, landscaping or ancillary structures. A definition of 'improvements' is provided in the CLMA under Section 3.

What is market value?

The term 'market value' is defined in the International Valuation Standards (2020) as:

'the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion'.

All professional valuers use the International Valuation Standards as their protocol for valuing assets.

Crown leases

The recent amendments to the CLMA also provide for the surrender of a section 78B lease on condition that a new lease of land is granted to the lessee or a nominee.

The CLMA requires that the Minister for Environment and Water will fix the rent to be payable under a lease based on current market rent, unless the Minister is satisfied special circumstance exist justifying the fixing of a lesser rent.

Currently, market rent is determined by applying an appropriate rate of return to the market valuation of the Crown's interest in the land.

Valuations and rent setting for shacks on Crown land

The South Australian Government is committed to creating new opportunities for shack lessees on Crown land who hold life-tenure leases or fixed-term tenure leases for 'Holiday Accommodation' purposes, where there is no existing arrangement for longer tenure or relocation, to retain their shacks.

In March 2018 the Minister for Environment and Water agreed to implement a freeze on rent revaluations for shacks until the policy approach underpinning the commitment to retain shacks was finalised.

To ensure shack lessees are aware of the costs associated with applying for longer tenure, the Minister for Environment and Water has supported the re-starting of shack valuations by DEW.

What valuations will be completed for shacks?

The CLMA requires that the current market rent will be determined by the Minister for Environment and Water on the advice of the Valuer-General or a person who lawfully carries on business as a land valuer.

For the purpose of seeking valuations for the Commitment, the Department for Environment and Water will engage private professional land valuers to undertake the valuations for shacks.

The professional land valuers will be asked to provide a valuation for the Crown's interest in the land (excluding improvements for the permitted use) for:

- Determining the rental for each existing life tenure and fixed-term lease where a lessee opts not to convert to another tenure
- determining the rental for a transferrable lease with an overall term of up to 50 years where a lessee opts to convert to a term lease
- determining the purchase price for sites where freeholding is being pursued as a tenure option by a lessee.

When will valuations be completed?

Valuation will proceed in early August 2020 with the expectation that valuers will complete the valuations as

quickly as possible so lessees have adequate time to consider their options before applications close in June 2021.

What will happen once the valuations are completed?

Each shack lessee will receive further advice regarding the new valuation and the date from which it will apply.

This will inform the decision-making process going forward.

More information

For further information about the Retaining Shacks commitment please visit the [DEW Retaining Shacks webpage](#) or contact the DEW Shacks Team on (08) 8204 1218 or at DEWshacks@sa.gov.au. The DEW Shacks Team aims to respond to emailed questions within five working days.

<https://www.environment.sa.gov.au/topics/crown-land/retaining-shacks-commitment>