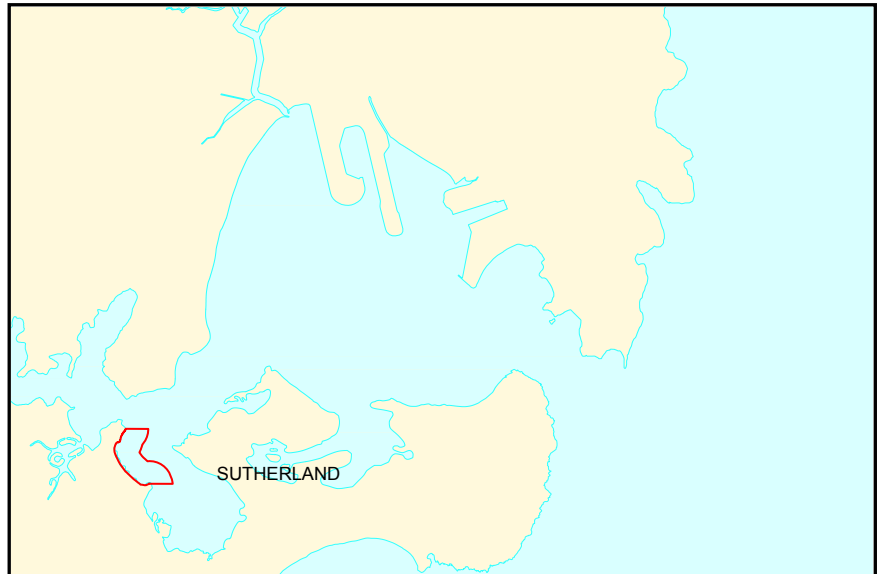


How the IPART Rent Calculation Formula was used to Calculate the 2011 Wetland Rate for Precinct 7 (Summary)

Precinct 7 Defined

There is one **Wetland Rate** precinct in Botany Bay; it has been designated **Precinct 7**. The privately-leased premises and the properties associated with these premises in the area outlined in red in the map on the right make up **Precinct 7**.



IPART Rent Calculation Formula

The Independent Pricing and Regulatory Tribunal of New South Wales (IPART), in its report, *Review into Rentals for Waterfront Tenancies on Crown Land in NSW* (April 2004, S9-10, ISBN 1 877049 54 9), recommended that the following formula be used to calculate rents:

$$\begin{array}{l} \text{General Rent} \\ (\$) \end{array} = \begin{array}{l} \text{Precinct Statutory Land Value } (\$/\text{m}^2) \times \\ \text{Discount Factor (50\%)} \times \\ \text{Rate of Return (3.05\%)} \times \\ \text{Occupancy Area (m}^2) \end{array}$$

The **Precinct Statutory Land Value** is calculated using the following formula:

$$\begin{array}{l} \text{Precinct SLV} \\ (\$/\text{m}^2) \end{array} = \frac{\text{Total statutory land value (SLV) of all properties in precinct}}{\text{Total area of freehold properties in precinct} + \text{Total area of occupancies in precinct}}$$

NSW Maritime multiplies the first three components of the IPART formula to get a **Wetland Rate** for the precinct:

$$\begin{array}{l} \text{Wetland Rate} \\ (\$/\text{m}^2) \end{array} = \begin{array}{l} \text{Precinct Statutory Land Value } (\$/\text{m}^2) \times \\ \text{Discount Factor (50\%)} \times \\ \text{Rate of Return (3.05\%)} \times \end{array}$$

The rent calculation formula thus becomes:

$$\text{General Rent } (\$) = [\text{Precinct Wetland Rate } (\$/\text{m}^2)] \times [\text{Occupancy Area (m}^2)]$$

Precinct 7 Wetland Rate

The following table contains the information that was used to calculate the **Wetland Rate** for **Precinct 7** for the 2011 calendar year.

	Count	Total Area (m ²)	Total Statutory Land Value (\$)
Freehold properties	8	6,742.95	9,810,000.00
Leased areas (NSW Maritime)	8	237.00	

Table notes:

1. Only the statutory land values and property areas of freehold properties associated with a NSW Maritime domestic lease have been used.
2. For leaseholds valued independently of a freehold, the 50% discount factor was not applied.
3. The 2011 wetland rate calculation used the average of the 2007, 2008 and 2009 land values.
4. The areas shown in the tables have been rounded to two decimal places for simplicity; the areas were not rounded for the original calculations.

From the formula:

$$\text{Precinct SLV } (\$/\text{m}^2) = \frac{\text{Total statutory land value (SLV) of all properties in precinct}}{\text{Total area of freehold properties in precinct} + \text{Total area of occupancies in precinct}}$$

$$\text{2011 Precinct SLV} = \frac{9,810,000}{6,742.95 + 237} = \$1,405.4542/\text{m}^2$$

From the formula:

$$\text{Wetland Rate } (\$/\text{m}^2) = \text{Precinct Statutory Land Value } (\$/\text{m}^2) \times \text{Discount Factor (50\%)} \times \text{Rate of Return (3.05\%)} \times$$

$$\text{2011 Wetland Rate} = \$1,405.4542/\text{m}^2 \times 50\% \times 3.05\% = \boxed{\$21.43/\text{m}^2}$$