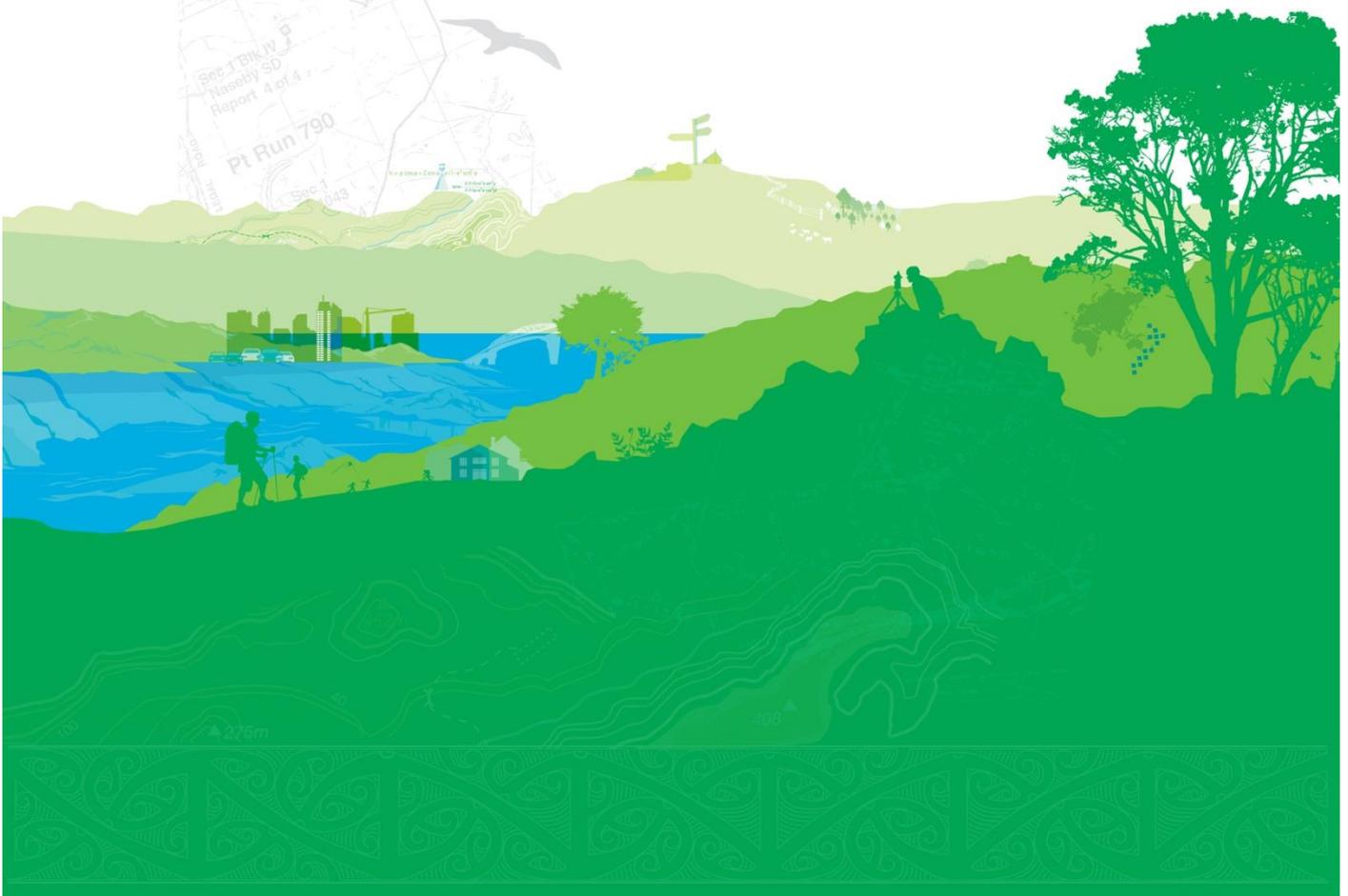


Engagement Document:

Hurunui/Kaikōura Earthquakes Recovery
(Rating Valuations - Kaikōura District
Council) Order 2017



This document explains why an Order in Council under the Hurunui/Kaikōura Earthquakes Recovery Act 2016 is needed to enable the Kaikōura District Council to operate its rating valuation system equitably and efficiently in the circumstances following the earthquakes.

This document has been produced pursuant to section 9 of the Hurunui/Kaikōura Earthquakes Recovery Act 2016 (the Recovery Act) to support the engagement process on the proposed Hurunui/Kaikōura Earthquakes Recovery (Rating Valuations - Kaikōura District Council) Order 2017 (the Order). It sets out an explanation of why the Minister for Land Information considers that the Order is desirable, the intended purpose of the Order, and its proposed effect.

Background: Rating valuations requirements

Current requirements

All district and city councils are required to prepare and maintain district valuation rolls (DVRs) under the Rating Valuations Act 1998. The DVR is a record of the rating values of all properties in the relevant district.

The DVR must be updated every three years through a 'general revaluation'. Between general revaluations, the DVR can be altered in two different ways:

- Owners are able to request reassessments at their own expense; and,
- Local authorities are able to reassess properties on their own initiative in certain circumstances, including when there is 'an extraordinary event affecting property values', such as the Hurunui/Kaikōura Earthquakes.

This means that the Kaikōura District Council is currently able to reassess properties that have suffered earthquake damage. However, there are a number of reasons why that would not be appropriate, some of which are outlined below.

Lack of information

The key problem is that the Council is unable to carry out all of the reassessments in a robust way at this time. To achieve accurate valuations, the Council needs information on:

- The extent of the damage to each property; and,
- The cost of repairs.

That information is not currently available for all of the properties involved.

Lack of physical access

In addition, there are problems with physical access to some earthquake-damaged properties. It would not be fair if the Council reassessed some earthquake damaged properties but not others.

Diversion of resources away from the earthquake response

One of the other main problems is that the reassessments would be very expensive.

The Council has a relatively small rating base, of approximately 3,200 properties. The number of properties that were damaged by the earthquakes is still unclear. However, EQC has advised the Council's valuers that, as of 3 February 2017, 1,842 building claims had been made within the Kaikōura District. On that basis, it appears that a large proportion of the properties in the district could be eligible for reassessment, creating a significant financial burden for the Council.

In addition, any reassessments for earthquake damage are likely to be short-lived. Most of the properties involved will be repaired. Once they are repaired, a further reassessment would be required.

Using scarce resources to reassess properties that will require a further reassessment once repairs are completed is inefficient. It would hinder a focused and expeditious recovery.

Why the Order is needed

The proposed Order is considered necessary as it is not currently possible for the Council to accurately assess the impact of earthquake damage on property values. In addition, undertaking reassessments would divert financial resources from the earthquake recovery work. Lastly, the Council depends on rates for much of its revenue. It is vitally important that the Council has a workable property taxation system in place as Kaikōura recovers from the recent earthquakes.

The proposed Order departs from the present valuation system as little as possible, and facilitates a return to the standard valuation system as quickly as possible.

Intended purpose: What the proposed order is intended to achieve

In summary, the proposed Order is intended to ensure that the Council's DVR remains credible, and that the Council's financial resources are not diverted away from the earthquake recovery without good reason.

Making the Order would be consistent with the Recovery Act's purpose of assisting earthquake-affected areas, councils and communities to respond to the impacts of the Hurunui/Kaikōura earthquake sequence. Specifically, it will aid in the economic recovery of Kaikōura by giving the Council a high degree of certainty over the rating values used to calculate rates. This will assist in the financial planning and forecasting required by the Council to fund services for the district, including water and waste management, the roading network, rubbish and recycling collection.

The proposed effect of the Order

The proposed Order prevents the Council from updating the DVR to reflect the impact of earthquake damage. It does this by modifying sections 14 and 16 of the Rating Valuations Act and the Rating Valuation Rules 2008, as set out below:

Section 14 and the Rating Valuations Rules

If the Order is made, the circumstances when the Council could make alterations to the DVR under section 14 will be more limited than usual. Alterations will only be able to be made in one or more of the following circumstances:

- There are errors that existed prior to the earthquakes;
- There are omission from the DVR;
- Rating units are created or abolished, or the boundaries between rating units are adjusted;
- There is demolition work (either individual buildings on a rating unit have been totally; demolished or a binding total demolition order or notice has been issued);
- There is a change in the provisions of an operative district plan;
- There is a change in the boundaries of a local authority;
- New work or building takes place; or,
- Administrative alterations permitted under rule 4.1 of the Rating Valuations Rules are needed.

The important point is that the Council will not be able to reassess a valuation purely on the basis of an 'extraordinary event affecting property values'. In addition, if the Council was reassessing a valuation for another reason, it would have to ignore any earthquake damage.

Section 16

The Order would also limit the scope of any reassessment which could be requested by an owner or ratepayer. Again, earthquake damage would have to be ignored.

This does not mean that a property owner cannot request a reassessment of their property value, for example if they have a new kitchen installed. It just means that the earthquake damage could not be considered by the valuer.

Duration of the Order

The proposed Order would expire on the earlier of:

- The implementation of the next general revaluation; or,
- 30 June 2019.

The Council is due to carry out its next general revaluation by the end of 2018. It is not yet known whether it will be possible for the Council to do this, as it will depend on whether the property market recovers sufficiently in terms of activity (eg. volume of listings and sales), and whether the rebuild and repair process is well enough advanced. If the general revaluation needs to be deferred, then enabling the Order to continue in effect until 30 June 2019 should provide sufficient time for repairs to be carried out and normal valuation practice to restart.

Rating policy implications

This Order in Council does not prevent the Council from applying its own rating policy to provide rates relief to ratepayers whose properties have been damaged by the earthquakes. The Council recently introduced rating policies to provide targeted rates relief for ratepayers with significantly damaged buildings that cannot be safely occupied.

Previous Similar Orders in Council

After the 2010 and 2011 Canterbury Earthquakes, similar Orders in Council were made for the Christchurch City, Selwyn and Waimakariri district councils. The Canterbury Orders in Council were successful in assisting the Council to recover from the earthquakes. Targeted rates relief was also available to ratepayers whilst the Orders were in effect.