

20 September 2012

Sir John Hansen
Convenor
Canterbury Earthquake Recovery Review Panel
c/- Canterbury Earthquake Recovery Authority
Private Bag 4999
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Dear Sir John

Canterbury Earthquake (Rating Valuations Act – Waimakariri District Council) Amendment Order 2012

Proposal

1. The Canterbury Earthquake Recovery Review Panel is asked to consider the draft Canterbury Earthquake (Rating Valuations Act - Waimakariri District Council) Amendment Order 2012 (draft Order).
2. The draft Order modifies the Canterbury Earthquake (Rating Valuations Act – Waimakariri District Council) Order 2011 (2011 Order) to defer the Waimakariri District general revaluation for up to two years.
3. The draft Order is attached as Appendix 1. A marked up version reflecting the draft Order's changes to the 2011 Order is at Appendix 2.

Background

4. The 2011 Order extended the Waimakariri District general revaluation effective date from 1 July 2011 to 1 December 2012.
5. There are presently several circumstances that make it impracticable and costly for the Council to conduct a compliant general revaluation by 1 December 2012. These circumstances include:
 - the slower than expected pace of insurance assessments and property repair and rebuilding means there is still a significant number of damaged properties; and
 - the lack of information available to the Council on damage and repair costs for earthquake affected properties.
6. In addition, analysis of recent sale prices, including for places where more significant earthquake damage has occurred, indicates that values

in the district have moved at a reasonably consistent rate when compared with the last general revaluation (2008 values).

7. Therefore, even if a compliant general revaluation could be conducted by 1 December 2012, the potential rating change due to value changes for individual ratepayers would be minor.
8. The draft Order will assist the Council to fulfil the purposes of the Canterbury Earthquake Recovery Act 2011 under:
 - section 3(a) - to provide appropriate measures to ensure that greater Christchurch and the councils and their communities respond to, and recover from, the impacts of the Canterbury earthquakes;
 - section 3(d) - to enable a focused, timely, and expedited recovery; and
 - section 3(f) - to facilitate, coordinate, and direct the planning, rebuilding, and recovery of affected communities, including the repair and rebuilding of land, infrastructure, and other property.

Policy Objective

9. The objective of the draft Order is to defer the Waimakariri District next general revaluation for up to two years.
10. The deferral of the general revaluation is necessary to:
 - provide the Council with a practical, cost-effective and equitable basis for setting and assessing rates; and
 - enable the Council's next general revaluation to comply with the Rating Valuations Act 1998 (RVA) and be aligned with the repair and rebuilding progress.
11. Desirable characteristics of a modified rating valuation system are that it should:
 - depart from the rating valuation system as little as possible and maintain its operability, integrity and transparency;
 - facilitate a return to the standard rating valuation system as soon as possible;
 - direct resources to expediting the recovery from the earthquakes; and
 - preserve ratepayer equality.
12. Cabinet [CAB Min (12) 31/5, EGI Min (12) 19/4] agreed that an Order in Council be prepared under section 71 of the Canterbury Earthquake Recovery Act 2011 to modify the Canterbury Earthquake (Rating Valuations Act – Waimakariri District Council) Order 2011 to extend:
 - a) its expiry date to the earlier of the implementation of the next general revaluation or 31 March 2015;

- b) the effective date of the next general revaluation to on or before 1 December 2014;
- c) its limited district valuation roll maintenance and objections provisions until the expiry specified in recommendation (a).

Timing

13. It is important that the draft Order comes into force before 30 November 2012. For the Council to remain compliant, the proposed Order needs to commence before the 1 December 2012 general revaluation effective date specified in section 5 of the 2011 Order.

Preferred Option

14. The draft Order implements the preferred option. The preferred option is to modify the 2011 Order to extend:
- a) the effective date of the next general revaluation to on or before 1 December 2014;
 - b) its expiry date to the earlier of the implementation of the next general revaluation or 31 March 2015; and
 - c) its limited district valuation roll (DVR) maintenance and objections provisions until the expiry specified in (b).
15. This option maintains the rating valuation system's operability, integrity and transparency. It facilitates a smooth return to the standard rating valuation system in alignment with revised rebuilding and repair timeframes thereby directing resources to earthquake recovery. It best preserves ratepayer equality.
16. Fletcher Construction is facilitating the building repairs in Waimakariri district for EQC and expects these to be significantly more advanced in 2013. Measures such as the implementation of red and green zones and greater certainty regarding building consent requirements for different land types are expected to contribute to achieving these timeframes. Therefore this gives reasonable confidence that the majority of repair and rebuilding will be completed for a compliant general revaluation by March 2015.
17. Extending the 2011 Order expiry date and deferring the next general revaluation for up to two years to align with building repair and rebuilding timeframes is desirable because it expedites resources to the earthquake recovery and best preserves ratepayer equality.
18. Under this option, the limited circumstances for DVR maintenance and objections put in place by the 2011 Order will apply until the next general revaluation. This is necessary for ratepayer equality and rating valuation system operability and integrity. To date there have not been significant issues for the Council or ratepayers with the modified rating valuation system.

19. Owners of badly damaged inhabitable properties could view this option as inequitable because their rates assessments will not change until the deferred next general revaluation.
20. Officials consider that on balance this option best preserves ratepayer equality when compared with the alternatives. Whilst awaiting property repair to fully restore the property value, landowners in this situation continue to receive the necessary property and other services that rates payments fund. This option means that 2008 values on the DVR and DVR maintenance (in accordance with the extended 2011 Order provisions) are consistent and equitable across the district.
21. The Council's valuation data including for places where more significant earthquake damage has occurred, indicates that in comparison with previous general revaluations, the movements between 2008 and 2012 in relative property values of different areas in Waimakariri district are not significant. The Office of the Valuer-General has verified this assessment.
22. This assessment means that if the costly and impracticable general revaluation was able to be conducted to meet the 1 December 2012 effective date and RVA requirements, the relative change to individual rates assessments would be minor in comparison with the current (2008 basis) rates assessment.
23. The option gives the Council some discretion within the two year timeframe as to what the effective date of the general valuation will be. This allows for external factors such as continuation of the earthquakes that could affect the pace of the recovery. It also permits the Council to bring forward the general revaluation if rebuilding progresses more quickly.

Alternative options

24. To complete the next general revaluation by 1 December 2012 in accordance with the 2011 Order, two other options were considered.
25. The first involved a temporary amendment to the RVA definition of land to allow for compensation and insurance entitlements to be included in the value of the property. This option was rejected based on rating valuation system operational and principled grounds and ratepayer equality grounds.
26. The option would require significant changes to the rating valuation system that potentially harm its longer-term integrity. In addition, compensation and insurance entitlements are not considered to be interests in land, rather they are personal property. Taking this approach would be a significant departure from the present system's principles.
27. The second option maintains the 2011 Order status quo of completing the general revaluation by the 1 December 2012 effective date. This option was rejected because the current RVA requires that the general

revaluation include the impact of any earthquake damage. The large amount of unknown property damage information makes this complex, costly and impracticable for the Council and it does not direct resources to earthquake recovery.

28. The general revaluation under this option would be highly unlikely to comply with the RVA and therefore not be suitable for setting rates and providing ratepayer equality or assisting the return to the standard rating valuation system.

Costs and Benefits

Impact on the Council

29. The benefit to the Council of the preferred option of deferring the general revaluation is that it avoids an immediate complex and costly general revaluation which would be highly unlikely to comply with the RVA and therefore not be suitable for setting rates.
30. The benefit to the Council of deferring the general revaluation in line with a timeframe in which more properties will have been repaired is that the general revaluation will comply with the RVA, with likelihood of fewer objections and better evidence to reduce the difficulty and cost involved in settling objections.
31. To the extent that existing rates remissions are extended until this deferred general revaluation, the Council will incur costs in administering the remissions process.

Impact on ratepayers

32. The benefit to ratepayers of the preferred option is that it best preserves ratepayer equality when compared with the alternatives.
33. Rates remissions policies are not available for owners of badly damaged inhabitable properties. They could view the deferred general revaluation as inequitable because their rates assessments will not change for up to two years.
34. However, whilst awaiting property repair to restore the full property value, landowners in this situation continue to receive the necessary property and other services that rates payments fund.

Risks

35. The main implementation risk is that the public will not understand or accept the rationale for the intervention. Land Information New Zealand, Canterbury Earthquake Recovery Authority and the Council will work together to provide clear and consistent messaging to the ratepayers about the reasons for the extension of the 2011 Order and the deferral of the next general revaluation.

Consultation

36. LINZ consulted on the policy and the draft Order with the Department of Internal Affairs and the Canterbury Earthquake Recovery Authority (CERA). LINZ consulted the Treasury on the policy and informed the Treasury of the draft Order. The Department of Prime Minister and Cabinet was informed of the policy and draft Order.
37. LINZ also consulted on the policy and the draft Order with the Waimakariri District Council (Maree Harris – Customer Services Manager).
38. The Cross-party forum was consulted on the draft Order. Generally the parties support the Order. However, the Labour Members of Parliament support the Order as long as the Waimakariri District Councillors are in agreement with the policy of deferring the general revaluation for up to two years.
39. The Waimakariri District Councillors were formally advised in July 2012 that Council officials were working with the Government agencies regarding a deferral of the general revaluation and were briefed on the reasons why a deferral was deemed necessary. The information was noted by Council. Once the Order for the deferral is confirmed, Council officials will report back to the Council and advise the Council on a proposed path forward.

Profile of draft Order and proposed publicity

40. An appropriate press release will be prepared for release by the Minister for Land Information, in consultation with the Minister for Canterbury Earthquake Recovery, and if necessary the Waimakariri District Council.

Conclusion

41. We look forward to receiving your recommendations so that regard can be had to them before the Minister makes a recommendation on the draft Orders. The key contact for this item of work is Debbie Buck, (04) 460 0171, dbuck@linz.govt.nz

Yours sincerely



Richard O'Reilly
Manager Policy

**Appendix 1. draft Canterbury Earthquake (Rating Valuations Act -
Waimakariri District Council) Amendment Order 2012**

IN CONFIDENCE

Canterbury Earthquake (Rating Valuations Act—Waimakariri District Council) Amendment Order 2012

Governor-General

Order in Council

At Wellington this day of 2012

Present:
in Council

Pursuant to section 71 of the Canterbury Earthquake Recovery Act 2011, His Excellency the Governor-General makes the following order, acting—

- (a) on the advice and with the consent of the Executive Council; and
- (b) on the recommendation of the relevant Minister following the Canterbury Earthquake Recovery Review Panel's review of a draft of the order.

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**Canterbury Earthquake (Rating Valuations
Act—Waimakariri District Council)
Amendment Order 2012**

Explanatory note

The principal order modifies or suspends the effect of certain provisions of the Rating Valuations Act 1998 (the Act) in relation to the Waimakariri District Council in order to—

- extend the interval within which the Waimakariri District Council must revise its district valuation roll; and
- limit the circumstances in which the Waimakariri District Council may alter its district valuation roll during the currency of the roll; and
- exempt the Waimakariri District Council from undertaking new valuations of rating units for the purpose of the district valuation roll on the request of owners of, or ratepayers for, rating units.

Clause 3 of the principal order provides that the order expires on the earlier of—

- the implementation of the next general revaluation (as modified by clause 5 of the principal order); and
- the close of 31 March 2013.

Clause 4 of this order amends clause 3 of the principal order by extending the 31 March 2013 expiry date to 31 March 2015.

Clause 5 of the principal order modifies the application of section 9(1) of the Act to the Waimakariri District Council. Section 9(1) requires a territorial authority to revise its district valuation roll at intervals of not more than 3 years. Clause 5 of the principal order extends the interval within which the Waimakariri District Council is to comply with that provision to 1 December 2012.

Clause 5 of this order amends clause 5 of the principal order by extending the 1 December 2012 date to 1 December 2014.

This order is made under the Canterbury Earthquake Recovery Act 2011 and its effect is temporary.

Issued under the authority of the Acts and Regulations Publication Act 1989.

Date of notification in *Gazette*:

This order is administered by Land Information New Zealand.

**Appendix 2. Marked up Canterbury Earthquake (Rating Valuations Act
– Waimakariri District Council) Order 2011**



**Canterbury Earthquake (Rating
Valuations Act—Waimakariri
District Council) Order 2011**

Anand Satyanand, Governor-General

Order in Council

At Wellington this 20th day of June 2011

Present:

His Excellency the Governor-General in Council

Pursuant to section 71 of the Canterbury Earthquake Recovery Act 2011, His Excellency the Governor-General makes the following order acting—

- (a) on the advice and with the consent of the Executive Council; and
- (b) on the recommendation of the relevant Minister following the Canterbury Earthquake Recovery Review Panel's review of a draft of the order.

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7 Exemption from section 16 of Act 3

Order

1 **Title**
This order is the Canterbury Earthquake (Rating Valuations Act—Waimakariri District Council) Order 2011.

2 **Commencement**
This order comes into force on 30 June 2011.

3 **Expiry**
This order expires on the earlier of—
(a) the implementation of the next general revaluation (as modified by clause 5);
(b) the close of 31 March 2015.

Deleted: 2013

4 **Interpretation**
(1) In this order, unless the context otherwise requires,—
Act means the Rating Valuations Act 1998
district plan has the same meaning as in section 2(1) of the Resource Management Act 1991
National Controller has the same meaning as in section 4 of the Civil Defence Emergency Management Act 2002.
(2) Terms or expressions used but not defined in this order, but defined in the Act or the Canterbury Earthquake Recovery Act 2011, have the same meaning as in the Act or the Canterbury Earthquake Recovery Act 2011, as the case may be.
(3) The modification of the Act made by this order does not affect the text of the Act, but requires it to be read as if it had been amended in the manner indicated in this order.

5 **Modification of section 9(1) of Act**
The application of section 9(1) of the Act to the Waimakariri District Council is modified to extend the interval within which the Council is to comply with that provision to 1 December 2014.

Deleted: 2012

6 Alterations during currency of rolls

- (1) While this order is in force, this clause applies to the Waimakariri District Council instead of section 14(1) of the Act.
- (2) The Waimakariri District Council may at any time, of its own motion or on the application of the owner of, or ratepayer for (if different), a rating unit appearing on the roll, make alterations to its current district valuation roll, but only if—
 - (a) the rating unit has been created or abolished in accordance with rule 2.4 of the Rating Valuations Rules 2008:
 - (b) a subdivision, an amalgamation, or a resurvey of the land has occurred in relation to the rating unit:
 - (c) new work or building has been carried out in relation to the rating unit that has increased the value of improvements for the rating unit above that currently on the district valuation roll:
 - (d) changes have occurred in the provisions of an operative district plan in relation to the rating unit:
 - (e) the alteration is to correct an error in relation to the rating unit that existed in the district valuation roll before 4 September 2010:
 - (f) the alteration is to correct an omission from the district valuation roll:
 - (g) the alteration relates to individual buildings on the rating unit that have been totally demolished or that have been ordered to be demolished by the territorial authority, CERA, or the National Controller:
 - (h) the alteration is an administrative alteration permitted by rule 4.1 of the Rating Valuations Rules 2008.

7 Exemption from section 16 of Act

While this order is in force, section 16 of the Act does not apply to the Waimakariri District Council.

Rebecca Kitteridge,
Clerk of the Executive Council.

Explanatory note

This note is not part of the order, but is intended to indicate its general effect.

This Order in Council comes into force on 30 June 2011 and expires on the earlier of—

- the implementation of the next general revaluation (as modified by *clause 5*);
- the close of 31 March 2013.

The purpose of the order is to modify or suspend the effect of certain provisions of the Rating Valuations Act 1998 (the Act) in relation to the Waimakariri District Council in order to—

- extend the interval within which the Waimakariri District Council must revise its district valuation roll; and
- limit the circumstances in which the Waimakariri District Council may alter its district valuation roll during the currency of the roll; and
- exempt the Waimakariri District Council from undertaking new valuations of rating units for the purpose of the district valuation roll on the request of owners of, or ratepayers for, rating units.

Clause 4 defines certain terms used in the order.

Clause 5 modifies the application of section 9(1) of the Act to the Waimakariri District Council. Section 9(1) requires a territorial authority to revise its district valuation roll at intervals of not more than 3 years. *Clause 5* extends the interval within which the Waimakariri District Council is to comply with that provision to 1 December 2012.

Clause 6 modifies the application of section 14(1) of the Act to the Waimakariri District Council. Section 14(1) enables a territorial authority to alter its current district valuation roll to correct valuations and entries and bring them up to date in the manner and circumstances, and in accordance with the procedures, specified in the Rating Valuations Rules 2008. *Clause 6* provides that, while the order is in force, instead of complying with the Rating Valuations Rules 2008,

the Waimakariri District Council may alter its district valuation roll only in the circumstances specified in *clause 6(2)*.

Clause 7 provides that, while the order is in force, section 16 of the Act does not apply to the Waimakariri District Council. Section 16 enables the owner of, or ratepayer for, a rating unit to request a new valuation of the rating unit for the purpose of the district valuation roll.

This Order in Council is made under the Canterbury Earthquake Recovery Act 2011 and its effect is temporary.

Issued under the authority of the Acts and Regulations Publication Act 1989.
Date of notification in *Gazette*: 23 June 2011.
This order is administered by Land Information New Zealand.
