

Mayor and Councillors
COUNCIL

4 OCTOBER 2012

Meeting Status: **Public**

Purpose of Report: For Decision

COASTAL HAZARD ASSESSMENT REVALUATION OF COASTAL PROPERTIES

PURPOSE OF REPORT

- 1 This report provides Council with an update on the issue of a revaluation/rating differential for properties affected by the Coastal Hazard Assessment.

SIGNIFICANCE OF DECISION

- 2 This report does not trigger the Council's Significance Policy.

BACKGROUND

- 3 The Regulatory Management Committee considered the Coastal Hazard Assessment report at the meeting of 30 August 2012. At the meeting, the Committee moved the following resolution requesting that a report be prepared on a potential revaluation of coastal properties included in the coastal erosion risk hazard areas.

That the Committee requests a report to Council on a potential revaluation of coastal properties included in the coastal erosion risk hazard areas be undertaken by March 2013 and that changes, if any, to land value as a result of that revaluation are used as the basis for adjustments to the allocation of rates to those properties for the 2013/14 Annual Plan.

- 4 The three yearly revaluation of all properties in the Kāpiti Coast District Council area took place in the 2011/12 year. The next revaluation is not due until 1 August 2014.

CONSIDERATIONS

Issues

- 5 Under the Rating Valuation Rules under section 4.2.1, covering Valuation Alterations, a territorial authority may make alterations to the District Valuation Roll under section 14 of the Rating Valuation Act where there is a change in the provision of an operative district plan.

- 6 Earlier discussions with Council's valuation service provider had indicated that even though the valuation rule meant that Council did not have to separately revalue properties affected by a District Plan change until the District Plan change became operative, there was some discretion for Council to have a separate valuation earlier of those affected properties, especially if the proposed change could potentially have had an immediate legal effect if approved by the Environment Court. The Council is not proposing that the rules relating to the coastal hazard lines take immediate effect, therefore a separate revaluation of properties affected by the coastal hazard lines is not triggered.
- 7 The Valuer General has also advised that his interpretation of the rules for revaluation alterations is that the District Plan changes should be operative before revaluations of affected properties take place. The Valuer General also advised that if the Council had applied to the Environment Court for immediate legal effect and it was approved then that would have allowed valuation alterations of the affected coastal properties to take place outside of the 3 yearly revaluation process.
- 8 The consequences of this legal position is that:
 - the level of property values for coastal properties will be set by the property market itself rather than being influenced by an early revaluation by Quotable Value; and
 - an early revaluation of coastal properties would have been based on Quotable Value's assumptions and assessments of the impact of the Coastal Hazard Assessment on affected properties rather than basing the property values on the evidence of the most recent sales (as they normally do) in the affected areas. This is due to the limited time period since the Coastal Hazard Assessment was announced.

Rating Differential

- 9 Other options for assisting coastal property owners could include a separate rating differential. It has been suggested that a rating differential be created for properties affected by the Coastal Hazard Assessment.
- 10 Under the Local Government Rating Act it would be difficult to justify a separate differential group for properties affected by the coastal hazard assessment lines when other properties in the District that have been affected by natural hazard assessments as part of other District Plan changes such as flooding, fault lines etc. were not offered the same concession.
- 11 Under schedule 2 of the Local Government Rating Act 2002 covering where a separate differential is based on a proposed District Plan change, the differential group can only be established if:
 - (a) no submissions in opposition have been made under clause 6 of schedule 1 of the Resource Management Act on those proposed activities or rules and the time for making submissions has expired; or
 - (b) all submissions in opposition and any appeals have been determined, withdrawn, or dismissed.

- 12 After the proposed coastal hazard plan change is notified in November 2012 it will be open for submissions with hearings taking place in July 2013. The chances of there being no submissions on this issue is extremely low so the earliest date for a decision on the District Plan change would be August 2013. Therefore the earliest possible date for introduction of a separate differential, for properties affected by the coastal hazard assessment, is the 2014/15 year.
- 13 With the next 3 yearly revaluations of properties in the District taking place in August 2014, the new valuations would take effect for the 2015/16 rating year. It would be difficult to justify a rating differential for coastal properties for just one year being the 2014/15 year when in the following year, 2015/16, the new land and capital values (reflecting market sales) would take effect and eliminate any justification for a differential.

Financial Considerations

- 14 The legal issues covering the interpretation of the valuation rules and the requirements of the Local Government Rating Act 2002 are the main drivers of the recommendations to this report.
- 15 At the same time it should be noted that if the rates on coastal properties are reduced through reductions in property values, based on the property market over time, then the reduction in rates on coastal properties would need to be funded by the rest of the District's ratepayers. Council's total rate requirements would remain the same, but the proportion of the total rates based on property values would be reallocated between the coastal properties and the balance of the District's properties.

Legal Considerations

- 16 Council's legal counsel has reviewed the interpretation of the Valuation Rules in relation to valuation alterations and concurs with the interpretation by the Valuer General.

Delegation

- 17 Council has the authority to consider these issues.

Consultation

- 18 Council has held coastal hazard workshops in September 2012 throughout the District.
- 19 While there has been no specific consultation on this issue, some concern was expressed at the workshops that an early revaluation could set an artificially low benchmark for property prices.

Policy Implications

- 20 There are no policy implications at this stage.

Tāngata Whenua Considerations

- 21 There are no issues for consideration relating to iwi or Treaty of Waitangi.

Publicity Considerations

22 A press release will be prepared on this report.

RECOMMENDATIONS

23 That the Council notes:

- (a) that a specific revaluation of properties affected by the Coastal Hazard Assessment may not take place until the District Plan change becomes operative.
- (b) that under the Local Government Rating Act the earliest a rating differential could be introduced for properties affected by the Coastal Hazard Assessment would be for the 2014/15 year because of the timing of the submission and hearing process for this District Plan change.
- (c) that the next 3 yearly revaluation of the District takes place as at 1 August 2014 with new valuations taking effect for the 2015/16 year.

24 That after considering this information the Council does not proceed with either a specific revaluation or introduction of a rating differential for properties affected by the coastal hazard lines.

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