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The purpose of this report is to seek Council approval for the valuation of all separate land parcels within a new subdivision.

The legislation relating to this matter is permissive and the Valuer General is encouraging all local authorities to follow this practice.

BACKGROUND

Recently our valuation service provider, Quotable Value New Zealand (QVNZ), was instructed to value all subdivision land parcels as they are created. Prior to this instruction all new land parcels in a subdivision were only valued after sale. While in some instances this was immediately after their creation, in other instances the delay from the time of creation until time of sale could be 12 months or more.

The legal authority to recognise such parcels of land is set out in section 7(4) of the recently enacted Rating Valuations Act (1998):

“... any land that is capable of separate occupation may, if in the circumstances of the case it is reasonable to do so, and in accordance with any rules made under this Act, be treated as separate property whether or not it is separately occupied”

The rules referred to here are the rules as determined by the Valuer General.

Paragraph 3.6 of the Valuer General’s Rating Valuation Rules states:

“For the purposes of assessing land and capital value under section 7 of the Act, any property for which there is a certificate of title under the Land Transfer Act 1952 may be treated as a separate property. Where one parcel of land is held in more than one certificate of title each title will be treated as a separate property whether or not it is separately occupied.”

Prior to 1999 QVNZ valued a new subdivision as a single lot. Factored into the single valuation figure for the subdivision was a ‘holding deduction’ of approximately 30%. This can be likened to a valuation discount and was designed to recognise that sections are being held by the developer prior to sale.

In terms of the above proposal the property developer will now receive a separate rates assessment for each land parcel with a certificate of title. The rate assessments will reflect the full value of each separate parcel of land and will not include any holding deduction.

IMPLICATIONS

By rating all newly created separate land parcels, the Council is:

- Bringing the rating liability forward to match up with the creation of a separate title.
- Recognising that the new legal status of the land carries with it rating obligations.
- Ensuring that all land parcels with separate titles are treated the same way for rating purposes. (The property developer with a large subdivision will be rated in the same way as a developer who owns sections which are scattered throughout the city.)
- Creating certainty for prospective buyers. (Prospective buyers will know what their rating liability is. Under the current system rates staff have to estimate rates using a complicated apportionment formula.)

The valuation service provider will value the subdivision only once. Under the current policy each time there is a sale the value and the holding allowance for the subdivision has to be recalculated and adjusted.

The overall financial implications of this change are difficult to quantify. Additional rates will however be payable. There will be a separate Uniform Annual General Charge of \$105 on each separately rated lot and the combined value of any newly created lots could be as much as 30% more than previously.

The following hypothetical subdivision shows the rating impact of the change.

Single parcel of land (Total Subdivision):

Full value	\$2,500,000
Less 30% holding deduction	\$750,000

Rating Valuation	\$1,750,000
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 Total Estimated 1999/00 rates on Subdivision	 \$9,571
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Subdivided into 20 lots:

20 lots at \$125,000	=	\$2,500,000
Estimated 1999/00 rates per lot		\$781.15

Total Estimated 1999/00 rates on 20 separate lots		\$15,623
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It should be noted that all new parcels of land within a subdivision would only be rateable as from 1 July after they have been created. Thus if a separate land parcel was created in September 1999, it would not be rateable until 1 July 2000.

The Office of the Valuer General (OVG) has advised that nearly all local authorities have or are in the process of adopting this approach. North Shore City Council and Rodney District Council are facing legal challenges from some large property developers over this issue. The OVG has however advised that the law is quite specific on this issue and that the Council has the legal right to have all separately created land parcels valued and to rate these properties.

Recommendation: That the decision to value and rate all separate land parcels within a subdivision be confirmed.