IPTI Xtracts
Property Tax and Assessment News from Around the World

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Canterbury regional council rates could jump more than 24 per cent

The average Christchurch ratepayer could be an extra $250 a year out of pocket if steep regional council rate hikes thought to be one among the highest in the country are brought in.

Environment Canterbury (ECan) is proposing increasing rates by either 24.5 per cent or 18 per cent, to cover the fallout of the Government's new freshwater regulations.

This would be on top of district council rate rises, such as Christchurch City Council's proposed five per cent increase, leaving many concerned about the combined toll of the cost to ratepayers.

Several city councillors derided the plan as "completely unsustainable", James Gough, Sam MacDonald, Catherine Chu, Aaron Keown, Phil Mauger and James Daniels all criticising ECan's 10-year budget.

"[It] will further hit the back pockets of hardworking ratepayers, at a time when the public sector should be looking to drive efficiency," Gough said.

MacDonald said ECan's elected councillors would need to go back to the drawing board "urgently", and insisted staff work with them to reduce this increase significantly.

"It sets a terrible precedent for future years."

Eastern Southland farmers hold a tractor protest rally through Gore's main street in Gore about the Government's new freshwater rules.

The proposal has even been lambasted from within ECan, councillor Megan Hands concerned it would be one of the steepest increases in the country.

"Frankly, I think our proposed rise in expenditure which has got us to the 24.5 per cent figure is outrageous," she said on Facebook.

Under its draft long-term plan released on Monday night, ECan's first option covers work costing $246.54 million, about $46m more than this year.

Ratepayers would fund $143m of that, an average increase of $136 a property.

ECan said it includes all statutorily required work and provisions to accelerate key projects, including public transport and the Government's essential freshwater package.

Option two represents work costing $240.19m, about $40m more than this year.

Of that, $135m would be rate-funded, with the rest made up of government grants and council user-pays charges – an average increase of $110 per property.

The second option would deliver the same work, but some projects would be delayed, scaled back or not proposed for funding.

ECan chair Jenny Hughey said the council had to meet community demands and a rising tide of government expectations, including delivering programmes like the new freshwater package.

The Government's national policy statement for freshwater management, designed to improve freshwater quality by controlling certain farm practices, came into force in September.

It includes new rules to keep stock further away from waterways, introducing a synthetic nitrogen fertiliser cap for farmers, and new bottom-line standards for nitrogen and E.coli in waterways.

Under both options, ECan is proposing spending about $35m on water and land programmes, including about $6m on developing a freshwater regulatory framework by 2024.

Details of how the money will be used to meet the new standards in ECan's 319-page plan are thin, but almost all the water and land portfolio projects will be covered by general rates.

Christchurch City councillor Aaron Keown says the rise won't help Christchurch residents bounce back from Covid-19.

Hughey said people's ability to pay has been at the forefront of council's discussions.

"We know this is not an insignificant amount of money, but there is also a price to pay if we don't continue to take action.

"These are big decisions and council is looking for feedback from the community."

In the 2020/21 financial year, ECan increased rates by four per cent.

The initial draft annual plan had forecast a rate increase of 9.8 per cent, but councillors voted to cut it to recognise the impact of Covid-19 on the region.

City councillor Aaron Keown said the planned rates hike would not help Christchurch's recovery post Covid-19.

Christchurch city councillors say the combined rates increase could be as much as $250 a household.

"If councils and government impose these sizeable increases it will drive our economy to hyperinflation."

Hands said while some proposed expenditure reflected Government policies, some was for new projects.

"Our ratepayers are grappling with economic recovery, upwards pressure on house prices, and ever-increasing compliance costs.

"Once the decision has been made to go to consultation I strongly recommend residents and ratepayers throughout Canterbury ensure our council gets a clear message around what expenditure is necessary."

ECan councillors will meet on Thursday to discuss the long-term plan, with public consultation from March 8 to April 11.

Some key differences between the two options:

- In Option 2, which involves a lesser rates increase of 18 per cent, there will be less funding for braided river revival and tree planting programmes. Braided river revival spending will drop from $3.8m a year to $2.9m, and the planting program will drop from $1m to $100 thousand.
- There will be less investment in data collection programmes, used to inform ECan's decision-making.
- In Option 2 there is less support for landowners to help with compliance and implementation of the freshwater regulatory framework.
- There is also less funding for environmental education, and Enviroschools support.
- There is no provision for a contestable fund to support community projects.
- Some proposed public transport improvements may be sidelined, like the MyWay on-demand buses for Timaru.

Rating Revaluations Deferred Until Spring 2021

Press Release: Queenstown Lakes District Council

Property owners in the Queenstown Lakes District normally receive a triennial Notice of Rating Valuation with the latest valuation having been due in 2020. This rating revaluation is completed by Quotable Value (QV) on behalf of Queenstown Lakes District Council (QLDC), providing an updated rating value for the property which is used by the Council in setting rates for the next three years.

QLDC General Manager Finance, Legal & Regulatory Stewart Burns said that due to COVID-19, QLDC has been in discussions with QV and the Valuer General about their proposed 2020 valuations with the outcome being that the Council has applied for a deferral of the General Revaluation until 2021.

"The Council does not believe that QV is likely or reasonably able to complete a credible revaluation based on an effective date of 1 October 2020 given the unique circumstances of the global pandemic and its effects on the district and national property markets."

"The Valuer General has therefore approved this requested deferral until 2021, and this is most likely to take place in late October or early November with an effective date of 1 September 2021. QV is confident that it will be able to assess values for all property types under this revised timeframe," said Mr Burns.

A Rating Valuation is the estimated property price at the effective date of valuation. Rating values are independently audited by the Office of the Valuer General, and are not intended for the purposes of insurance or current market valuation.

This General Revaluation will be effective for rates from 1 July 2022.

Housing heat spreads: Christchurch records sharpest growth in 17 years

The Reserve Bank is under attack for pouring fuel on the house price bonfire with its latest move to boost the economy, but its defenders say it's not the bank's job to control the housing market.

Property values in Christchurch had their strongest rate of monthly growth in 17 years in January – outstripping both Auckland and Wellington in the process, CoreLogic's latest data reveals.

Of New Zealand's main centres, Christchurch has long had the property market characterised by the most moderate house price growth.

But in January it turned in the highest monthly value growth rate of the main centres, according to the latest CoreLogic House Price Index.

Christchurch had 3.1 per cent growth, compared to 1.9 per cent in Auckland and 2.0 per cent in Wellington. Only Hamilton came close with 2.9 per cent growth.

That 3.1 per cent rate was also the Garden City's strongest monthly rate of growth in at least 17 years and it took the city's average value to $556,446 in January.

CoreLogic head of research Nick Goodall, who described it as a surprising turn of events, said the quarterly (5.8 per cent) and annual (9.0 per cent) growth rates remained more modest than most other cities.

"But after years of very little growth the pronounced lift was significant and showed the pace of capital gains was accelerating."

He said there was probably an element of catch-up at play, as well as the low listing-strong demand equation being seen nationwide, but the fact Christchurch's market continued to be the most affordable of all six main centres was making it attractive.

"First-home buyer activity has been strong in Christchurch for quite a while, but our buyer classification data shows it is now almost matched by mortgaged investors and that has made the market more competitive."

This backed up the words of real estate agent Tony McPherson, co-owner of Ray White Metro in Christchurch. He recently told Stuff that buyers were back out looking soon after the holiday break.

There was a perception that there are not many properties for sale, he said. "There are plenty of houses available, but they are selling more quickly. They're coming in and just going out again."

Both investors and homeowners were buying, demand was strong in all parts of the city and across all price ranges, and prices were "still moving", McPherson said.

For Canterbury Property Investors Association president Shirley Berryman, the increased rate of value growth had been a long time coming, as prices had been subdued since the earthquakes.

While people would be looking at Christchurch as a more accessible big city to buy in due to its comparatively affordable prices, they were also likely to be able to see its future potential as a destination once the rebuild was completed.

“I have family who have recently invested in Christchurch because Wellington prices are so high now but, even as they were looking here, prices were rising. So properties are going for more than many expect.”

Rebecca Toone, a real estate agent with Ray White in central Christchurch, said the city is experiencing a “heated and somewhat volatile market”.

“There's quite a scramble among buyers for securing property quickly, and they will make fast decisions. They will overlook some things with properties because they just want to secure,” she said.

“There's such a complete imbalance between supply and demand, that’s forcing prices. There's a whole different shift in mindset of values of people wanting to buy property.”

Toone said the desire to own property in New Zealand had seen new light thrown on it from the Covid pandemic.

“Everyone has realised that Christchurch has been undervalued (for) so long and this has been the catalyst for change.”

While Christchurch led the way in January, CoreLogic’s data shows property values nationwide continued to grow strongly over the month – although at a reduced rate relative to December, which reflected the slower holiday market.

Nationwide, property values were up by 2.2 per cent which left the average national value at $806,151 in January.

This took growth in the last 12 months to 12.8 per cent. That’s the highest rate since March 2017 when annual national growth hit 13.8 per cent.

Another stand-out result contained in the data was that Auckland’s annual growth rate had moved into double digits for the first time since April 2017.

The Super City had 11.0 per cent growth over the year ending January 2021, which took its average value to $1,164,440 in January.

But of the main centres, Wellington and Tauranga had the highest annual value growth at 16.2 per cent (to $878,861) and 15.5 per cent (to $888,930) respectively.

Provincial cities like Gisborne (29.4 per cent to $526,474) and Whanganui (25.7 per cent to 4426,179) also continued to experience strong growth.

Goodall said confidence in the market was high, as the fundamentals of strong demand and limited supply remained and people saw it as a solid option to buy into.

The outlook was for further growth, assisted by political commentary regarding the need to protect property wealth along with the limited amount of housing stock available for sale.

“Nationwide demand for mortgages through January has already risen above the levels seen at the end of 2020 as buyers take advantage of low interest rates and act with urgency in the competitive market,” he said.

“However, further regulation is afoot, starting with the reintroduction of loan-to-value ratio (LVR) restrictions on 1 March – although at the proposed limit levels (20 per cent owner-occupier, 30 per cent investor) the impact to property values is likely to be limited.”

That could lead to a further tightening of the LVR limits (to 40 per cent investor) by the Reserve Bank, which would probably lead to a slowing of the market, Goodall added.

“Additionally, the Government is almost certain to announce some form of market intervention later this month, likely in the form of assisting first home buyers and incentivising residential construction.”

Rates revaluation shows Eketāhuna is the fastest growing Tararua town

A rating revaluation has a small Tararua town being revitalised by a surge of house hunters.

Every three years, property valuers QV assess New Zealand properties to help local councils set their rates.

The Tararua District Council recently sent out letters to ratepayers, advising them of the result of the latest QV revaluation carried out in September.

QV assessed nearly 10,500 Tararua properties, and the average rateable value of houses in the district rose 76 per cent since 2017, to $325,000.

Property Brokers Pahīatua residential lifestyle agent Patrick Baker said the district had been buoyed by an influx of people attracted by cheaper housing and the construction of Te Ahu a Turanga, the new highway between Manawatū and Tararua.

But Eketāhuna in particular, was getting a new lease on life seeing the largest increase in rateable values.

The average value of a home in the town rose 89.4 per cent over the past three years, to $285,471.

Since September, Eketahuna has continued to grow faster than other Tararua towns and houses there were now often selling for prices on par with Pahīatua, which had the highest average rateable value in the district at $346,930.

“It’s had a hugely positive impact on Eketāhuna with new families coming in and new kids at school, and they're [often] working and spending with local businesses too,” Baker said.

Schools in the area had struggled with roll numbers for a while, but that changed after people started moving in seeking cheaper homes.

The biggest demand for housing came from first-home buyers, but where they were moving from varied from town to town, he said.

“Eketāhuna gets a lot of first-time buyers from Masterton, and people from Wellington cashing in on their capitals gains to [trade-up] to their second or third home.”

In places closer to the Tararua Ranges, such as Pahīatua, it was mainly people moving over from Palmerston North.

Karen Stewart was one such homeowner.

“We bought our house at the end of September 2015, and moved in from Palmerston North because we couldn’t afford to get a home there,” she said.

As a visiting teacher for families doing home-based early childhood education, she said her business was evenly split between Pahīatua and Palmerston North. It made sense to live in the cheaper region.

Stewart’s property almost doubled in value, from $142,500 at the last rating revaluation to about $280,000.

“We obviously bought at the right time. I don’t mind if it might mean my rates go up more, that’s just part and parcel of being a property owner.”

The new valuations will affect rates from the beginning of the next financial year in April.

If property owners disagree with their valuation, they can raise an objection and ask for a reappraisal before March 5.