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Property Tax and Assessment News from Around the World

NEW ZEALAND – February 2022

CONTENTS

'TRICKY TIMES': HASTINGS DISTRICT COUNCIL TO RETHINK BIG RATES INCREASE

Hastings District Council will go back to the drawing board to try and reduce a large rates hike forecast for the 2022/23 financial year.

The council approved a sizeable 6.9 per cent rates increase last year for ratepayers.

At its first full council meeting of the year on Thursday, the council spent time discussing the importance of not passing on too big a rates increase this year, given the impact of Covid on many people and businesses.

The long term plan sets out a proposed rates hike of 6.4 per cent in 2022 and 5.7 per cent in 2023.

The council heard the 2022/23 Draft Annual Plan may require a higher than expected rates increase of 6.6 per cent, rather than the proposed 6.4 per cent.

However, the council decided the chief executive should "review the draft annual plan budget with the view to bring back a draft annual plan at 6.4 per cent".

The 2022/23 Draft Annual Plan will be finalised at the council's next full meeting in March before it goes out for public feedback.

"These are really tricky times for the community, for business, for the wellbeing of our people," Mayor Sandra Hazlehurst said, during the council meeting.

"I think we need to be really mindful that there is some hurt out there and how can we ensure that we are charging fairly for the coming year.

"I would like to see that we remain no more than 6.4 [per cent increase]."

She said, "we are in different times now to when we consulted on the Long Term Plan in 2020".

Chief executive Nigel Bickle said to keep the rates increase at 6.4 per cent would require some cuts to services.

"We can bring back choices but the choices will be about what services you want to stop or reduced service levels because that is the only place to go," he said.

COUNCIL TRIMS BUDGET, EXPECTS OVERALL RATES INCREASE OF ABOUT 9.4 PER CENT

Ashburton District Councillors are planning to defer some projects as they wrestle with the rising cost of doing business in their Annual Plan 2022-23.

After a series of workshops over the past month to discuss budget challenges because of Covid-19 and inflation, a draft plan now shows Council will need to collect $44.265 million in rates across the district, compared to $40m collected this financial year.

Mayor Neil Brown said the overall rates increase was about 9.4 per cent, but that would vary across the district depending on where ratepayers lived and how much their properties had been affected by recent Government revaluations.

“We’ve spent a lot of time discussing how we can fund the things our ratepayers want and expect when the cost of doing business has risen so dramatically because of supply chain issues and inflation. The Annual Plan will be a no-frills plan about spending on projects we have to do, while maintaining day-to-day services.”

Council will consider approving the draft Annual Plan at its 6 April meeting, and given the plan is different from what was proposed in the Long Term Plan, Council will also be consulting with the community from 7 April to 6 May before finalising the Annual Plan in June 2022.

Mayor Brown said Council was committed to getting feedback from the community and hearing people's views.

"We also want to talk about how we arrived at these figures and we will be holding several meetings across the district.

"A complicating factor this year has been the three-yearly revaluation of properties, which will affect urban ratepayers more as the value of their homes has risen more so than rural properties."

As well as deferring the revamp of Balmoral Hall, Council is also proposing to defer building a new access road to the Ashburton Domain.

"We have been able to find some savings across Council operations, but other work has been dictated by Government. We must make improvements to our drinking water schemes to comply with new rules.

"Ashburton is facing the same economic factors that the whole world is navigating so this budget is about balancing needs and being realistic."

He said Council had heard residents' concerns about roading and planned to use $2m from reserves to boost maintenance and improvements on the sealed and unsealed network.

BATTLE OVER MASSIVE RATES HIKE CONTINUES FOR GOLD KIWIFRUIT GROWERS IN GISBORNE

The fight over whether gold kiwifruit growers should face steeper council rates looks set to continue in the High Court, with the Gisborne District Council appealing a recent finding by the Land Valuation Tribunal.

In 2020, the council included licence costs - which range in the hundreds of thousands per hectare – for the higher selling G3 gold kiwifruit in rating valuations for orchards. That led to significant rate increases with some growers reporting their rates had doubled, or tripled.

Gisborne-based grower Tim Tietjen, of Bushmere Trust, with support from NZ Kiwifruit Growers Incorporated (NZKGI), brought a case to the tribunal which found in their favour earlier this month.

Now, the council is appealing that decision, with support from the Valuer-General who will bear the costs of the process.

Via a statement, the Gisborne council said the Valuer-General had found the tribunal's decision "inconsistent" with past case law decisions and the Rating Valuations Act 1998 requirement to value established vines as improvements.

"Removal of the gold kiwifruit vine value due to the existence of a licence creates an inequitable outcome for ratepayers, unfairly reducing the rating valuation and rates burden for some property owners and increasing the rates burden for others."

Council chief executive Nedine Thatcher Swann said given the significance of the backing of the Valuer-General and issues raised, the council had an "obligation" to appeal.

"Council included the value of the vines without a deduction for licences from the capital value of gold kiwifruit orchards in our district. This approach was advised by the Valuer-General."

Tietjen said the decision to appeal was "really disappointing". He felt further court proceedings would be a waste of taxpayers' money and had "no merit".

The appeal comes as growers prepare for harvest to start in mid-March. "It's a bit unfortunate timing, but there's never a good time for news like this," he said.

Tietjen saw it as a "precedent setting" decision, especially as Gisborne was considered one of the smaller kiwifruit producing regions.

"We don't want to see this rolled out nationwide."

NZKGI chief executive Colin Bond said the tribunal decision had been "very clear". "Council wrongly included the licence in rating valuations."

Gisborne growers brought more than $60 million to the region's economy and should be supported by their council.

He said the test case was important to other gold kiwifruit orchards in the Gisborne region and had national rating implications.

The organisation would support Tietjen through the appeal which would be heard in the High Court.

COMMISSIONERS TO CONSULT ON RATING PROPOSAL AS PART OF THE CITY'S ANNUAL PLAN

Council today approved a proposed rating change for the commercial and industrial sector as a further step towards ensuring the sector pays a fair share of the city's operating and infrastructure investment costs. The proposal will be consulted upon as part of the 2022/23 Annual Plan.

Excluding water charges, the commercial sector is currently contributing 23% of total rates revenue. This is significantly less than most New Zealand metropolitan local centres, where the commercial and industrial sector contributes an average of 30% of total rates.

A review of the rating system was requested by commissioners last year when they approved the 2021/31 Long Term Plan, to explore options for sharing the cost of investment in infrastructure, particularly transport, more equitably.

Commission Chair Anne Tolley said independent research shows that just over half of the daily trips on the city's transport network related to commercial and industrial activities, but the sector contributed less than a quarter of transport rates revenue.

"That means residential ratepayers are paying more than they should, compared to the benefits they receive, and that anomaly needs to be addressed."

Commissioners resolved to propose a change in both the general rate differential and the existing targeted transport rate, which would see the commercial and industrial sector contribute half of the funding for the transport activity. The existing general rate differential of 1.6 (which means a business pays $1.60 in rates for every $1 paid by a residential ratepayer, for a property with the same value) is considerably lower than other metro councils and the proposed change will bring Tauranga more into line with other centres.

Anne said the commission understands that many businesses are facing economic headwinds at present, but the council would work with the sector through the annual plan consultation process to find and implement a fair solution.

"The options available to us are to increase the commercial general rate differential from 1 July 2022, or to phase the change in over two or three years, to smooth out the impact on commercial ratepayers. Our preferred option is to phase the change in over two years, but we are very keen to hear the commercial sector's and the community's views on that," Anne said.

Today's decision comes as council's latest budgets are for $61 million for the transportation network projects in 2022/23, rising to over $300 million by 2030/31 to reflect the increasingly significant investment needed in the transport network. Over $2 billion is budgeted for the transport activity over the next 10 years.

Property owners will be able to see the impact of the proposed changes on their rates via a rates calculator available on the Tauranga City Council website once the Annual Plan consultation begins on 25 March.

The latest city-wide revaluation of business properties reflects the impact of COVID-19 on the hospitality and retail sector, in particular.

Lower than average property value increases for central city properties mean that around 29% of commercial properties in the CBD will have no rates increase, or even a rate decrease in 2022/23. Almost two-thirds (63%) of CBD commercial properties will have similar or lower increases than residential areas where valuations have increased considerably.

AUCKLAND COUNCIL LOOKS TO SCRAP BIN TAGS, FAVOURING RATES-FUNDED RUBBISH SERVICE

Auckland Council no longer believes bin tags are the way to reduce the amount of waste going to landfill.

The bin tags – or a pay as you throw (PAYT) system – were rolled out in West Auckland, Papakura and on the North Shore between 2017 and 2018.

Rather than paying for kerbside rubbish collection as part of their rates, residents in these areas purchase bin tags from supermarkets, council service centres and libraries, and attach them to their bin on rubbish collection day.

The price of bin tags varies depending on the size of the rubbish bin – $2.85 for 80 litres, $4.25 for 120-140L and $6.15 for 240L.

Auckland Council is proposing to scrap the pay as you throw bin tag rubbish collection system, which it once believed was the best way to help it achieve zero waste to landfill by 2040.

The bin tags were part of the council's strategy to achieve its goal of zero waste to landfill by 2040, with one standard sized bin (120L) fitting the equivalent of, and removing the need for, two plastic rubbish bags.

The council had planned to roll out bin tags across the entire region, however it has since found the PAYT system to be the most expensive option for kerbside rubbish collection, Auckland Council general manager for waste solutions Parul Sood told Stuff.

Now, the council is proposing to move the entire region to a rates-funded collection service, with the choice of three rubbish bin sizes to cater to different household needs and costs.

International evidence indicated a "polluter pays" system prompted people to minimise their wasteful habits with the incentive of saving money, Sood said.

Bin tags have been known to go missing, prompting residents to leave messages on them to deter thieves.

"Auckland's price per kerbside collection would need to be much higher to change how households consider the amount of waste they are generating."

If the proposal to goes ahead, it is estimated Aucklanders will pay $314 per year for their rubbish, recycling and inorganic collection. Including food scraps collection, this will cost $375.

If the entire region moves to a PAYT system, it is expected each household would spend $353 on bin tags each year, or $415 including food scraps collection. This estimate is based on the current average collection rate of a household with a standard 120L bin.

Currently, Auckland Council operates a fortnightly recycling collection service across the entire region, which is covered by a $142.70 rate.

This rate also includes an annual inorganic collection (large and small household appliances, furniture, renovation materials, electronics).

It also operates a weekly rubbish collection across all of Auckland, expect for the Rodney District, which is serviced by private waste operators.

The areas which don't use the PAYT bin tag system – excluding Great Barrier, Waiheke and Kawau islands – also pay a standard rubbish collection rate of $150.06 for a 120L bin. They may upsize the bin to 240L for an additional $70.53.

This means that with a standard-sized rubbish bin, residents are paying a total of $292.76 for rubbish, recycling and inorganic collection – less than what they would pay if the entire region were to move to this model.

Papakura and some neighbourhoods on the North Shore also have a weekly food scraps collection service, which is covered by a targeted rate of $69.88. This service will be introduced to the rest of Auckland in 2023.

Consultation on the rubbish collection proposal will begin on February 28.

SELWYN PROPERTY RATING REVALUATIONS OUT SOON - SELWYN DISTRICT COUNCIL

Property owners in Selwyn will soon receive an updated rateable value for their property.

The revaluation was carried out by Quotable Value (QV) on behalf of Selwyn District Council and showed that there has been a 33.7% average increase in capital values in Selwyn since the previous valuation in 2018. The valuations are an estimate of the likely price that would have been paid for the property on 1 September 2021.

The new valuations will be available for viewing from 2 February 2022 online at www.ratingvalues.co.nz or www.selwyn.govt.nz/propertysearch. Property owners should receive a letter with their updated property valuation by mid-February.

The new values will be used for calculating rates from 1 July 2022. Most property owners will find that the capital value of their property has increased, however this does not mean their rates will also significantly increase.

Where a property value has increased more than the average increase in capital value (33.7%) a property owner can expect a slightly higher than average increase in their rates from 1 July 2022, while property owners whose capital value increase was less than the average for Selwyn can expect a slightly lower than average increase in their rates.

The Council sets rates on 1 July each year based on the amount of income it needs to provide services for residents.

For most residential properties in Selwyn, only around a quarter of their rates bill is based on the capital value of their property, with the balance of the rates set as a fixed amount per property based on the available services. More information on rates can be found at www.selwyn.govt.nz/rates.

The large rise in capital value reflects the popularity of Selwyn and the Selwyn property market in recent years. The Selwyn district continues to be an attractive place to live and work, to do business and to raise a family as can be seen in the significant population growth since the last general revaluation in 2018.

This revaluation has seen residential (dwellings, flats and vacant residential land) capital value increase on average by 47.6%, while lifestyle properties increased on average by 34.6% and dairy and pastoral properties increased on average by 12.5%.

Residential dwelling capital value changes varied across the largest towns - with average values increasing by 44.1% in Rolleston, 31.3% in Lincoln, 46.6% in Prebbleton, and 31.4% in Darfield. Other townships showed similar increases, with Leeston increasing by 37.2%, West Melton 44.7%, Tai Tapu 31.1% and Southbridge 26.3%. Residential values in the rural areas of Malvern increased by 41.3% and Ellesmere 35.6%.

Property owners can object to their valuation. Objections must be lodged with QV by 17 March 2022. Information on how to make an objection can be found in the letter to property owners or online at www.ratingvalues.co.nz.

PROPERTY VALUES CLIMB DESPITE TOUGHER LENDING RULES, HIGHER MORTGAGE RATES

The property market is continuing to show some momentum, despite some volatility caused by tougher lending rules and higher mortgage rates.

CoreLogic's House Price Index for January showed property values rose 2.1 percent over the month to an average value of $1.02 million.

It was a slight increase on December's 1.9 percent growth rate.

Auckland had the biggest jump in average value, up 3.3 percent in January, to $1.47m.

Hamilton and Tauranga recorded increases of 2.8 percent and 2.4 percent respectively.

Hamilton's average value was at just over $900,000 and Tauranga was at $1.16m.

Despite the growth, CoreLogic said there was mounting evidence that residential property values could slow in the coming months, with some areas more vulnerable than others.

Head of research Nick Goodall said the outbreak of Omicron and the shift to the red traffic light added another layer of uncertainty to the market.

"But with the increased difficulty to secure finance being the lead topic and probably greatest influence over the future of the market right now, the impact of social restrictions is likely to be minimal," he said.

Goodall said the expected slowdown was not expected to become a major downturn.

"Mainly because our economy is still quite strong right now.

"Certainly the labour market is very strong with low unemployment and unless people lose their jobs or a significant proportion of their income, you don't expect them to need to sell their property to get out of the market just because interest rates and mortgage payments have increased."

Despite the growth in the upper North Island, the remaining main centres recorded only marginal increases.

Wellington and Christchurch saw increases of 0.7 percent and 0.8 percent respectively.

Wellington's average property value was at $1.13m and Christchurch grew to $750,000.

Dunedin recorded the slowest growth, up 0.2 percent to $715,000.

CoreLogic said some regional cities recorded monthly falls in prices for January.

The biggest monthly fall was Whanganui, down 1.7 percent to $560,000.

It was followed by Nelson and Queenstown, both seeing a drop of 1.1 percent last month.

"Queenstown was a really interesting one, we actually saw its values drop in December as well.

"It's probably a reflection of the very high average value there where the average property is worth $1.55 million ... with restricted credit that's going to impact the amount that people can borrow," Goodall said.