

# **Regulatory Impact Statement**

## **Canterbury Earthquake (Rating Valuations Act) Order 2010**

### **Agency Disclosure Statement**

This Regulatory Impact Statement has been prepared by Land Information New Zealand. It provides an analysis of options to address the impact of the Canterbury earthquake on the Christchurch City Council 2010 district valuation roll general revaluation.

The analysis for this proposal is based on information provided by Christchurch City Council on the effects of the earthquake. The key assumption is that the information provided is sufficiently accurate for this purpose.

It is important to note that the proposal in this paper will have no (or at most, marginal) effect on rates that the Council will collect. Regardless of the proposal in this paper, the valuation and rating process requires the Council to take the physical state of rateable properties into account when determining rateable values. The proposal in this paper will only affect the process by which those values are determined.

Waimakariri and Selwyn District Councils are also in the area affected by the earthquake, although their revaluations are due in 2011 and 2012 respectively. Officials currently do not expect these district councils to face the same problem as the Council, but will continue to monitor the situation. Environment Canterbury is not expected to face any similar problems requiring exemptions, or suffer any ill-effects from this proposal.

The proposal will not:

- impose additional costs on businesses;
- impair private property rights, market competition, or the incentives on businesses to innovate and invest, or
- override fundamental common law principles, except to the extent permitted under the Canterbury Earthquake Response and Recovery Act 2010.

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## Status quo and problem definition

### *Status Quo*

Section 9(1) of the Rating Valuations Act 1998 (RVA) requires territorial authorities to conduct general revaluations of their district valuation roll (DVR) at intervals of no more than three years. The values contained in a DVR are used as the basis for calculating rates liabilities. As a matter of practice, all territorial authorities currently conduct general revaluations at the limit of the statutory timeframe, i.e. every three years.

DVRs are a record of the rateable value of all relevant properties in a territorial authority's area. The values in a DVR are continually updated to reflect any changes to the physical state of individual properties before the start of the next rating year. This updating occurs irrespective of whether or not there has been a revaluation in a district and the values are based on the market conditions as at the last revaluation date. This process of updating is called "Alterations to Rolls" in the RVA and is commonly known as "roll maintenance".

For example, if the values in a 2010 general revaluation are certified as accurate as at a specified date in 2010 (e.g. 1 August 2010) they will predominantly be the values used in the 2011/12 rating year. If however, the physical condition of individual rating units changes after the revaluation is certified then their values are updated through roll maintenance. The updated value will reflect the new physical state of the property *as if that physical state had existed at 1 August 2010*.

Roll maintenance and general revaluations serve different purposes — the former is to capture physical changes to properties (of which there are usually relatively few); the latter is to capture movement in the property market.

### *Problem Definition*

Christchurch City Council (the Council) is due to complete a general revaluation in October 2010 — with an effective date of 1 August 2010. The values will then be used in the 2011/12 rating year and need to be an accurate representation of the physical state by 30 June 2011. The process of completing the revaluation has been affected by the Canterbury earthquake of 4 September 2010.

The Council advises that, in the wake of the earthquake, resources that would otherwise be required to complete the general revaluation (i.e. capture market movement) are better used in completing the extremely high level of roll maintenance required to reflect the physical conditions of the 10,000+ moderately to severely affected properties.

If the general revaluation was to proceed there would also be an unprecedented increase number of objections to the general revaluation values. Objections necessitate a detailed examination of the process and rationale for the values reached. This is a lengthy, expensive and resource intensive process that will exacerbate the difficulties faced by the Council

Without a change to the RVA the Council would be required to divert resources from roll maintenance to general revaluation and the increased objections that would result.

## **Objectives**

The desired objective is to extend the statutory timeframe for the Council to undertake a general revaluation so that the Council is able to utilise its resources most efficiently, and to do so in a timely-enough manner that Council will not breach the statutory timeframe in the RVA.

This proposal is in response to the Canterbury earthquake of 4 September 2010.

## **Regulatory impact analysis**

There is only one identified practical option for this objective — an Order in Council under the Canterbury Earthquake Recovery and Response Act 2010. The status quo will not achieve the desired result.

While it is possible to make the required change to the RVA by way of an amendment Bill, the timeframes required for this are considered too long to provide practical and timely relief to the Council.

The Council advises that, based on current information, extending the statutory timeframe for the next general revaluation until 1 December 2011 will provide them sufficient time to conduct the required roll maintenance and a subsequent general revaluation.

Officials have also been in discussion with the Waimakariri and Selwyn District Councils, whose general revaluations are due in 2011 and 2012 respectively. Officials currently do not expect these district councils to face the same problem as Council, but will continue to monitor the situation.

Environment Canterbury considers that, as a result of this proposal, the timing of the revaluation may cause a problem in terms of the process Environment Canterbury uses to adjust for the different effective dates used by the other Councils. The Department of Internal Affairs is in discussion with Environment Canterbury about potential implications of this proposal. If problems are identified any solution will not involve amendments to the RVA, although an Order in Council to amend the Local Government (Rating) Act 2002 may be required.

## *Benefits*

The Council will benefit from better use of resources, in both the valuation process and avoiding increased levels of objections. This proposal will also reduce the compliance costs compared with the status quo.

Christchurch ratepayers will benefit from avoiding the costs and time required to object to rating valuations that do not reflect earthquake damaged properties.

Ratepayers will also benefit from avoiding the added stress that a general rating revaluation will create.

## Costs

There are no identified certain costs from this proposal, there may be some marginal effect on the rates the Council charges.

There may be some marginal differences in the rates collected by the Council, but the level of that difference (if any) is unable to be quantified as yet.

Environment Canterbury has advised that this proposal may create a problem with the equalisation calculation it performs. DIA officials consider that, if there is a problem, it can be addressed without undue cost.

## Consultation

The Department of Internal Affairs and the Christchurch City Council were consulted on this proposal. The Canterbury Earthquake Recovery Commission has also been consulted. Limited consultation was undertaken because of the emergency nature of the problem and the limited impact it has.

All parties consulted with agreed with the proposal.

## Conclusions and recommendations

There is only one identified practical option to address the issue. Officials recommend that option is used to address the problem.

## Implementation

The proposal will be implemented by an Order in Council under the Canterbury Earthquake Response and Recovery Act 2010.

There is no scope to reduce or remove any existing regulations. No specific enforcement strategy is required – the regulation will be enforced in the normal course of practice.

## Monitoring, evaluation and review

There are no monitoring plans for this proposal. The Order in Council will expire on 1 December 2011.