IPTI Xtracts

Property Tax and Assessment News from Around the World

NEW ZEALAND – November 2020

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Strong Increases for Rating Valuations

All property owners in Invercargill and Bluff will soon receive a 2020 Notice of Rating Valuation with an updated rating value for their property.

This is a result of the triennial rating revaluation, carried out by Quotable Value (QV) on behalf of Invercargill City Council. The updated rating values are used as one factor to help Council set rates for the next three years from July 2021.

A Rating Valuation is the estimated price a property would sell for at the effective date of the rating revaluation, which is September 1, 2020, but does not include chattels such as curtains and appliances.

Since the last rating revaluation as at July 1, 2017, property values have seen a strong rise throughout the region by 35.1% overall.

Residential values overall are now, on average, 48.2 per cent higher than they were three years ago, with residential land values on average more than 59.8 per cent higher than they were three years ago.

Summary of the overall value changes for property category groups:

The average residential dwelling within Invercargill City is now valued at $384,000, up from the average of about $260,000 in 2017.

Land values in some areas have risen more than others in the district too, particularly in Appleby, Georgetown, and South Invercargill, where land values have increased by more than 180 per cent, driven by strong demand. This is compared with some areas which have been traditionally considered 'higher value,' such as Windsor, where a more modest average increase has been seen.

New rating values will be available on Council's website no later than November 20.

If you don't have internet access, you can come into the Civic Administration Building or Bluff Service Centre, and the Customer Services staff will provide you with a printed copy of the information.

Alternatively, both the Invercargill and Bluff Public Libraries have computers available for people to use to access the Council website and to view their new rating valuation using the Property Search tool.

If property owners don't agree with their new rating value or if they have made refurbishments and improvements to their property that didn't require a building consent and believe this added value has not been reflecting in their new valuation, they have the right to make an objection within a specific timeframe.

The objection close-off date is January 22, 2021 and there will be information on how to object on the owners' notice.

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Gisborne property values 'through the roof'

The value of residential proporties in Tairāwhiti has gone "through the roof" in an increase which has surpassed other provincial towns, a valuer says.

The value of residential properties in Tairāwhiti has increased by 64 percent in the past three years. The value of residential properties in Tairāwhiti has increased by 64 percent in the past three years. Photo: Gisborne Herald/LDR
A three-year revaluation of the district for rating purposes shows the average value of residential properties has increased by 64 percent since 2017.

Lewis Wright managing valuer Ben Inder said Gisborne had seen some of the biggest increases in residential values in the country, and was higher than any other provincial area he had seen.

The average price for residential properties in Tairāwhiti climbed from $280,000 in July 2017 to $460,000 in September 2020, with the average value for homes in Gisborne City sitting at about $500,000 in September.

The increase is even more dramatic in traditionally lower value areas, such as Elgin which has increased in value by 89 percent, Outer Kaitī by 77 percent and Te Hapara by 74 percent.

There had also been a 100 percent increase on residential land value in the past three years.

"The key thing is the lack of serviced, reticulated land. There's no new supply coming on," Inder said.

"There hasn't been any major development for 10 years."

Latest figures from the Real Estate Institute of New Zealand showed Gisborne had the greatest increase in median house prices than any region last month, a 34.1 percent increase from $425,000 in October 2019, to $570,000 in October 2020.

Valuation company Lewis Wright presented its three-yearly revaluation to Gisborne District Council's finance and performance committee on Wednesday.

"Gisborne has historically been considered affordable, and that's certainly a concern in terms of going forward if this trend continues," Lewis Wright graduate valuer Rebecca Johnston said.

Johnston said the residential property market was "extremely bouyant" and had been exceeding expectations post-Covid-19.

There was a tight supply of residential properties in New Zealand, with only about 4 percent of the total number of properties moving through the market, she said.

The rating revaluation was scheduled for July, but delayed to 3 September so that the effects of the Covid-19 pandemic could be considered.

The revaluation figures will be posted out to property owners on 11 December. If owners disagree with their valuation, they can lodge an objection by 29 January. Revaluations will take effect for rating purposes from July 2021.

Most objections in councils around New Zealand came from owners wanting their properties valued higher, Inder said.

But with the boom in value witnessed in Gisborne, alongside the council reviewing its rating policy which could lead to a rise in rates for some, there might be a differing trend in valuation objections this time round, he said.

"If the rates are going up and the revaluations are going up, people might [object]."

The revaluation was a "mass appraisal", and done based on market trends in each surburb.

It wasn't specific to the individual characteristics of each property, and so internal building work like paint jobs, or renovations of bathrooms and kitchens, were reasons households might object to their valuation.

The value of industrial properties had seen the most significant increase of 72 percent since 2017, while the value of industrial land, like the Awapuni sub-division, had increased by 100 percent.

There had been minimal movement on properties in the retail sector post-Covid-19 pandemic.

Thousands of Auckland properties face 35 per cent rates rise in council cash-raising plan

More than 15,000 properties could face a rates rise of at least 35 per cent under Auckland Council plans to boost revenue.

The biggest boost of $28 million would come from a higher rating on land zoned as residential, commercial or industrial which is either vacant or undeveloped.

Council officials estimated 15,500 homes could see their rates rise at least 35 per cent under the plan, with 1,400 business properties facing rises starting at 82 per cent.

On one underdeveloped downtown property alone, rates would jump from $604,000, to just over $1 million.

The proposal is part of a range of potential tweaks, including a new rate to fund investments to tackle climate change and one to help affordable housing initiatives.

They were canvassed in a late October closed-door workshop of councillors as they start work on the next 10-year budget, but are not settled on, and some or all may not advance.

In a presentation obtained by Stuff, officials described the increased rates as having "a small impact on holding costs and incentive" (to develop).

The notion of higher rates for undeveloped urban land, has been criticised by local government consultants McGredy Winder, which worked with hoteliers opposing the APTR.

"It is a revenue grab, lacking in any public policy merit on the basis of the principles of revenue policy. It will have no impact on the problem it purports to address and will inevitably be applied in an arbitrary way," said consultant James Bews-Hair.

"It continues the very unfortunate hunt for the magic money tree that has bedevilled local government for years. There is no tree and it [is] simply a distraction from quality and meaningful policy making."

A spokesman for the mayor's office said a targeted rate on vacant land was simply one of a range of options, and would apply only to vacant land with households not impacted.

"It would create greater fairness in the rating system* while providing additional revenue to invest in the city's infrastructure," said the statement from the mayor's office.

Auckland Council has plenty of grounds to beef-up revenue, with a $450 million revenue hit forecast this year due to Covid-19, and the possibility that slump may extend into subsequent years.

Another cash booster looked at was to re-define the area liable for higher, urban rates to include more rural areas.

The council estimates 9,900 currently rural residential or business properties would be hit with increases of around 10 per cent, bringing in an extra $2.3 million.

On the minus side, the council is weighing up extending the suspension of a $14 million additional rate imposed in 2017 on hotels, motels and short-term holiday rentals.

The Accommodation Provider Targeted Rate (APTR) was an initiative of the mayor Phil Goff, but was this year suspended until March 2021 due to the impact of Covid-19 on the tourism sector.

One option being considered for public consultation, is extending the suspension until the end of 2021.

A targeted rate for climate change measures is being considered with one suggestion of $46 or more per residential property.

Officials spoke against a possible rate on unoccupied homes, arguing the number of properties is little changed over 14 years, and there is no legislative grounds to support the idea.

The workshop noted, but didn't detail the arguments for, a targeted rate to accelerate the building of genuinely affordable homes.

However, a report to Thursday's planning committee shed more light on how the scheme might work.

"Council would need to work with Community Housing Providers (CHPs) to set in place a framework for investing revenue from any targeted rate into an affordable housing programme that delivers a pool of affordable housing across Auckland," said the report.

Officials saw significant costs and risks in introducing such a rate.

"There would be an additional rates burden impacting all households, a shift in terms of Auckland Council's role in affordable housing activity, and any scheme would require a clear and costed business case and delivery framework," said the report.

October's closed-door workshop is understood to have made no firm decisions, and work continues leading up to the budget proposal by Mayor Phil Goff in December, which precedes public consultation.

New report by heavy-hitter academics and economists says in order to create a knowledge hub in Auckland it will be necessary to have affordable housing for people moving from the regions; land tax mooted again

A new report by a heavy-hitting group of academics and economists says Auckland housing must be affordable if the city is to become a globally competitive hub for innovation.

And the report again raises the idea of a land tax, saying land taxes "are both efficient and progressive, and are more effective than other forms of wealth tax".

A lack of policy coordination across and between the different arms of central and local government has "precipitated the housing affordability crisis in Auckland that is now quickly spreading to other cities and regions", according to the report.

The report, New Zealand's economic future: COVID-19 as a catalyst for innovation was produced by Koi Tū: The Centre for Informed Futures, a think tank and research centre at the University of Auckland.

The authors were Ryan Greenaway-McGrevy, Director of the Centre for Applied Research in Economics (CARE) at the University of Auckland, Tim Maloney, the Head of the School of Social Sciences and Public Policy at AUT and the Chief Economist at the Ministry of Social Development, Arthur Grimes, the Chair of Wellbeing and Public Policy at Victoria University of Wellington's School of Government and a Senior Fellow at Motu Research, Sir Peter Gluckman, Director of Koi Tū: The Centre for Informed Futures and Anne Bardsley, Deputy Director of Koi Tū: The Centre for Informed Futures.

They say that New Zealand needs to refresh many aspects of its economic strategy including giving greater focus to innovation and the knowledge economy. And they call for investment in Auckland as an innovation hub – together with building off the concentrated expertise in other cities, boosting the country's national research and development (R&D) spend, and encouraging multinational corporations to invest in New Zealand R&D as part of "a cohesive strategy to reset our economic future in the wake of Covid-19".

The report says Covid-19 has presented a unique opportunity to develop comprehensive economic policies that address research and innovation, the role of cities, housing and taxation, and demographic and workforce issues.

“It is time for fresh thinking about how we do business. Given our geographical isolation and the need to reduce the impact of extractive industries, our most important asset will be knowledge applied in all sectors, including digital and agricultural sectors. Building this asset will require new strategies, and a significant change in direction and focus for the New Zealand economy,” the report says.

In describing the need to make Auckland a globally competitive hub for innovation, the report says New Zealand has long been "embedded" in the global economy, relying on overseas markets not only for our products, but for the capital and labour required to develop our economy.

"The shift towards cities as the centrepiece of the modern economy requires a change in the way that we understand how countries compete in global markets. In order for New Zealand to compete to retain and attract people and capital, Auckland must be able to compete with the likes of Melbourne, Sydney, Singapore and London.

"The policy changes needed will in turn have spill-over benefits to other cities and regions across New Zealand. Regional development cannot be considered independently of urban policy. Significant changes need to occur to our urban geography, educational system, cultural and social amenities, fiscal and tax policies in order to create the conditions for knowledge-based clusters to grow."

'A fundamental first step'

In the report the efficiencies derived from firms and households locating close together are referred to as "agglomeration effects". It says agglomeration benefits include deeper and wider labour markets for employees and firms, greater specialisation in the supply of inputs to production, and knowledge spillovers through local networks.

"High house prices prevent us from benefiting from agglomeration efficiencies. Restoring housing affordability will be a fundamental first step towards creating the foundation for agglomeration economies to flourish."

The report's authors say Auckland "must be" affordable while preserving and enhancing the amenities that make it attractive to global and local firms and talent.

"It will be challenging to deliver this combination of attributes without determined policy effort and coordination."

They say policy settings at the central and local government levels have led to burgeoning housing demand while holding back supply - resulting in skyrocketing house prices.

"Census data reveal that while the population of Auckland increased by 11% between 2013 and 2018, the number of occupied dwellings increased by only 5.7%.

"The lack of policy coordination across and between the different arms of central and local government has precipitated the housing affordability crisis in Auckland that is now quickly spreading to other cities and regions."

'All options on the table'

Housing supply must respond to demand in a manner that preserves and enhances the natural amenities of Auckland and expands the mix of dwellings available to households and families, the report's authors say.

"All options need to be on the table: detached housing, terraced housing and apartments. Thoughtful urban planning will be required to ensure that Auckland remains an attractive city to people from a variety of backgrounds and a variety of interests, requiring coordination and cooperation between economists, urban planners, civil and transportation engineers."

The say unaffordable housing "also erects a wall between Auckland and the rest of the country" by denying households from the regions the opportunity to seek employment in the main centres.

"In order to create a knowledge hub in Auckland, we will need to draw, in part, on our own home-grown talent from around the country, necessitating access to affordable housing in Auckland for people moving from the regions."

They note that recent changes made under the Auckland Unitary Plan have led to a partial relaxation of land use regulations to allow private development to build both up and out.

"The impacts of these changes must be closely monitored in order to assess whether additional legislative and regulatory changes are necessary.

"This must include significant reform now that the Resource Management Act (RMA) is to be replaced, to enhance spatial planning that can enable a sizeable expansion in Auckland’s (and other cities’) housing stock. Equity considerations also call for a material increase in the stock of social housing or increased subsidies for alternate approaches."

Land tax

Policies to support agglomeration must be funded, and funded fairly, while maintaining an incentive to maximise agglomeration efficiencies, report says.

"For example, a land tax levied on the value of unimproved land would help to achieve these goals.

"Many of the benefits of agglomeration are capitalised into the value of land. Proximity to the city matters – and proximate land is scarce. Landowners in Auckland are poised to reap substantial gains under policies that cultivate high tech clusters, while it is the workers, entrepreneurs and investors that will supply the labour, energy and appetite for risk that will make it all happen. A land tax coupled with a reduction in income taxes rewards work while reducing the rewards from land banking and speculation."

Land taxes are both efficient and progressive, and are more effective than other forms of wealth tax, the report authors say.

"They are efficient because land is immobile and fixed: landowners cannot respond to a land tax by producing less of it or by moving their land to jurisdictions where taxes are more favourable.

"They are progressive in that landowners tend to be wealthy, and because land is fixed and immobile, a land tax presents few opportunities for landowners to pass on tax incidence to others. In addition, because they are levied on the unimproved values, land taxes also incentivise development and intensification, further increasing agglomeration.

"For these and related reasons, the 2010 Tax Working Group recommended a land tax to the then government. However, their advice was not acted upon."

Infrastructure will be required

The increased population that underpins 'agglomeration' will require infrastructure such as roads, sewerage and water supply, raising problems of how such infrastructure is planned and funded, the report says.

"The short-termism of much of our urban planning is increasingly obvious with horizontal infrastructure in a relatively parlous state.

"The need for dependable, quality water supplies has been highlighted repeatedly both by experience and in official reports, but little has been done to rectify deficiencies in part due to funding and planning constraints. A range of options can be explored to fund infrastructure upgrades and extensions, potentially including betterment taxes on areas that benefit most from new infrastructure investments."

The report authors say that building both up and out to enable population growth can potentially entail significant congestion costs, undermining the appeal of working in the city and "exacerbating our carbon footprint".

"Densely populated cities that have ample public transport tend to have lower carbon emissions per capita.

"To get the most out of our cities we need to make significant improvements in public transportation to rapidly move people living in suburbs and exurbs [areas beyond the suburbs, such as lifestyle blocks] into and out of the places where the jobs are located.

"In general, these rapid transit options need to be grade separated (i.e., rail and busways that are separated from roads) to ensure that the modes are not competing with cars on the roads.

"Public transportation should also provide rapid transit options to families that wish to locate in detached housing further from the city centre, including the exurbs of Auckland and the townships along existing rail lines to Hamilton and Whangarei."

Migration and workforce

Turning to migration and workforce policy, the report says the closing of NZ's borders has "shone a light" on how both in- and out- migration operate as a "safety valve" in our labour market, mitigating the impact of economic shocks on unemployment rates, job vacancies, wages and prices.

"But the broader, long-term implications of international labour mobility on our labour market need to be better understood," it says.

"A clear population strategy is needed that coordinates policy across demographic change, workforce, immigration, environment, housing and urban domains, and is protected from short-term political vicissitudes."

Policies to support agglomeration and innovation rely on attracting high-skilled workers to our shores, the report authors say.

"But immigration policy must be coordinated with housing and urban policies to ensure that we have the requisite dwelling stock and utility infrastructure to support increases in population.

"It is also critical that a population strategy coordinates with environmental policy in order to accommodate a growing population in a sustainable manner."

The report says over the longer term these issues cannot be separated from the issues arising from the impact of technology on the future of work, the predictable demographic changes ahead, and the unresolved issue over a longer-lived population with a retirement age that is increasingly unrealistic for many.

"We need a much better understanding of the drivers of ongoing structural change in the labour market, which pre-dated COVID-19 and will persist beyond the pandemic. COVID-19 has likely accelerated the impact of some of these factors, while decelerating others."