

HASTINGS DISTRICT COUNCIL AND NAPIER CITY COUNCIL

## **CATEGORY 3 VOLUNTARY BUY-OUT VALUATION COMMISSIONING INFORMATION**

### **Considerations for property owners**

The purpose of this document is to provide Category 3 property owners participating in the Voluntary Buyout process with information that will be useful when commissioning an independent valuation of their property as part of the voluntary buyout process.

The template below seeks to ensure Registered Valuers have a consistent understanding of the basis of valuation for Category 3 properties. The Hastings District Council and Napier City Council Category 3 Valuation Process is attached as ANNEX A.

Key points to note:

- Councils will provide a contribution, up to a *combined maximum* of \$5,000 (excl. GST), toward *reasonable* costs of a valuation by a Registered Valuer and legal advice where those costs have been incurred prior to the offer being presented to the Owner.
- As the Councils' contribution is capped, it is important for eligible Category 3 owners to monitor the costs.
- Therefore, Category 3 owners are encouraged to seek quotes from Registered Valuers.
- To assist with the quotation, this template and the attached Valuation Process should be provided to the valuer.
- Please discuss any health and safety matters for the valuer to be aware of when organising the timing of your valuation i.e. hazards on your property.

### **Owner Valuation Commissioning Template**

<b>Address</b>	
<b>Owner</b>	
<b>Owner contact details-Phone</b>	
<b>Owners email</b>	
<b>Land area (Record of title containing residential improvements only)</b>	
<b>Purchase Order</b>	
<b>Valuation framework</b>	Report must comply with industry standards and best practice as supported by NZIV, including; <ul style="list-style-type: none"> <li>• International Valuation Standards 2022</li> <li>• Australia &amp; New Zealand Valuation and Property Standards and Guidance Papers.</li> </ul>

	The valuer is responsible for choosing the most appropriate approach in a matter based upon the task and instruction.
<b>Valuation Experience</b>	Report must be completed by a Registered Valuer, with experience in the location and type of property being valued.
<b>Purpose</b>	Valuations are required to support a voluntary buy-out of the land under 2 ha and potentially the improvements, net of insurance proceeds. For properties greater than 2 ha the valuation supports a voluntary buy-out offer for the residential improvements, net of insurance proceeds and/or a relocation grant, being calculated on the diminution of the land value without any future rights to use category 3 land for residential purposes.
<b>Client</b>	Hastings District Council or Napier City Council.
<b>Valuation Date</b>	13 February 2023, ignoring the impact of Cyclone Gabrielle, but recognising previously identified hazard risks that were known to exist by informed market participants.
<b>Valuation Apportionment- 2 ha and under</b>	Market valuation apportioned between land value and improvements. (Chattels to be excluded, refer below).
<b>Valuation apportionment - Greater than 2 ha</b>	<p>Market valuation apportioned between land value and improvements (each building to be individually itemised). Subsequent apportionment for Residential improvements and curtilage, where curtilage is defined as the diminution in land value with full bundle of rights and the situation following the voluntary buy-out option where the land no longer has any residential rights on category 3 land.</p> <p>For land with split categorisation, it is only the impact on category 3 land that forms part of this process. Land that is not category 3 should be treated as being able to be used for residential purposes, with any specific differences in physical characteristics from the existing residential site recognised if needed, e.g. less desirable site due to aspect, views etc.</p>
<b>Information supplied by client</b>	Council will supply copies of maps from their records together with property specific information requested from the owner. Council confirms this information is accurate to the best of its knowledge.
<b>Bases of Value</b>	Market value
<b>Market Evidence</b>	Analysis of comparable sales to support valuation process

<p><b>GST</b></p>	<p>GST status needs to be clearly defined. The highest and best use of the property will dictate the GST in respect of the market value e.g. \$MV plus GST (if any) or \$MV inclusive of GST (if any).</p> <p>The market value of land does not vary depending on whether GST is payable or claimable by the purchaser. When assessing the market value of land, the GST status of the purchaser and the vendor must be disregarded by the valuer. GST is a tax applied after the value/price has been determined. (NZVGP 501)</p>
<p><b>Chattels</b></p>	<p>In accordance with the attached Valuation Process, chattels are to be excluded from the valuation.</p> <p>Chattels are items that are not attached to the land or the buildings on the land and can be removed without causing damage to the property. They include:</p> <ul style="list-style-type: none"> <li>• blinds, curtains and drapes</li> <li>• unfixed carpets and rugs</li> <li>• ovens and stoves that are soft wired or plugged in to the wall</li> <li>• light shades and light fittings</li> <li>• household furniture</li> <li>• garden plants, plant pots, raised beds, sheds and ornaments.</li> </ul>
<p><b>Residential Improvements</b></p>	<p>See policy definitions including dwelling. They are ancillary to the residential use and if included in the valuation will be removed or demolished post the voluntary buy-out. For property specific considerations please refer to minutes of initial meeting with property owner.</p>
<p><b>Output 1</b></p>	<p>Scope of works received from valuer and agreed with by Owner, prior to commencement.</p>
<p><b>Output 2</b></p>	<p>Valuation report supplied to owner and Council valuation manager, to enable consideration and review with Council obtained valuation, prior to offer being made. Criteria includes:</p> <ul style="list-style-type: none"> <li>• Compliance with HDC and NCC Category 3- Valuation Process.</li> <li>• Compliance with IVS, Valuation Standards and Guidance Papers.</li> <li>• Logical conclusion for reviewer.</li> <li>• Analysis of comparable sales to support valuation approach.</li> <li>• Inputs and assumptions support valuation.</li> </ul>

## ANNEX A

### HASTINGS DISTRICT COUNCIL AND NAPIER CITY COUNCIL

# CATEGORY 3 VOLUNTARY BUY-OUT VALUATION PROCESS

## 1. INTRODUCTION

1.1 There are 6 key steps involved in the Category 3 Voluntary Buyout Valuation Process.

- Information relating to property valuation is recorded at initial meeting with property Owner. Property and supporting valuation information given to Valuation Advisor.
- Voluntary Buyout Office issues commissioning sheet to panel valuer requesting scope of works. Signed acceptance of Scope of works returned. Valuer contacts Owner and proceeds independently.
- Voluntary Buyout Office contacts Owner to advise that independent valuer has been contracted.
- If Owner advises a second independent valuation is being sought, Voluntary Buyout Office will provide the supporting valuation information and documentation folder to this valuer. This ensures the same considerations are applied across valuations.
- Independent valuation reports received. Valuations are reviewed and reconciled by Valuation Advisor.
- Report from Valuation Manager is provided to the Acquisition team and used for the offer calculation. The Valuation Manager summary report is also provided to the owner before the offer is made.

## 2. BACKGROUND

2.1 In September 2023, Hastings District Council (HDC) and Napier City Council (NCC) (**the Councils**) resolved separately to adopt changes to their Long-Term Plans to provide for the new activity of undertaking the purchase of Category 3 Residential Property and Residential Property Rights. They also separately adopted the Category 3 Voluntary Buy Out Policy (**the Policy**) which sets out how those purchases will be undertaken. The Policy specified that the Council's offer would be supported by a valuation recommended in accordance with this Category 3 Valuation Process (**the Process**).

2.2 The Process should be read in conjunction with the Policy.

2.3 HDC (**the Council**) will administer the implementation of the Policy and the Process on behalf of the Councils, with the respective Councils making decisions based on the recommendations of the Council in accordance with their respective delegations.

## 3. OBJECTIVES AND PRINCIPLES

3.1 The Policy identifies objectives and principles that have been used to develop the Process and will be relevant to any issue of interpretation or situations where Special Circumstances, as defined within the Policy, may arise.

3.2 Consistent with the objectives and principles of the Policy, the following objectives and principles apply in the application of the Process:

### Process Objectives

- (a) Overarching objective – the removal of risk-to-life associated with people living on Category 3 land and encourage the cessation of residential use by providing owners with a Voluntary Buy-Out Offer (**the Offer**) for the residential component of their property.
- (b) Further objectives:
  - (i) Residents have clear pathways and certainty about the offer.
  - (ii) Long term positive outcomes for the whole community and the environment.
  - (iii) Affordability for ratepayers.

### Principles

3.3 In achieving the Process Objectives, the Councils will apply the following principles:

- (a) Acting in good faith.
- (b) Treating people with respect.
- (c) Working to achieve timely outcomes.
- (d) Communicating clearly.

## 4. COUNCIL VALUATION

- 4.1 A panel of experienced Registered Valuers, active in Hawke's Bay, will undertake valuations that will inform the Council's offer.
- 4.2 The Council has appointed an Independent Registered Valuer to coordinate and manage the valuation process (Valuation Manager), including the engagement of registered valuers to be part of the Panel.
- 4.3 Any existing or perceived conflicts of interest that a valuer has must be disclosed to the Council and resolved to the Council's satisfaction. For the avoidance of doubt a panel valuer can provide valuation advice to the Council where they have previously acted for a property owner, however they cannot accept a new assignment for a property owner where the valuer is acting for the Council and the property owner is considering a Council offer.
- 4.4 The programme of valuations and the allocation of work to valuers will be determined by the Valuation Manager.
- 4.5 The valuation date will be 13 February 2023. The valuations will be informed by information that was or could have been known or available at the date of valuation, but in some cases by information that becomes available subsequently. While the impact of the Cyclone Gabrielle event is to be excluded, hazard risks that were known to exist prior by informed market participants will be relevant as outlined in ANZVGP 101 Retrospective Valuations. The allocated valuer will receive from the Council a suite of maps, consent information and the categorisation map relevant to the subject property.
- 4.6 The allocated valuer will:
  - (a) Arrange an inspection of the property with the owner and/or their representative. Owners are encouraged to collate all relevant information needed for the valuation and have this information available for the Council's valuer, and their Registered Valuer should they elect to receive independent valuation advice. Examples of information that might be relevant include:
    - (i) Photographs prior to the event

- (ii) Details of physical improvements made to residential buildings in recent years, irrespective of needing a building consent e.g. kitchen upgrade.
  - (iii) Comprehensive details of leases in place, ideally with a copy of lease agreement.
  - (iv) An overview of the productive use of the land, if applicable.
  - (v) Planting details by variety, date planted, rootstocks, spacing etc.
  - (vi) Past production details, yield history etc.
  - (vii) Special features that enhance the value of the property.
- (b) Undertake the valuation in accordance with valuation guidance developed by the Valuation Manager, adopting International Valuation Standards (IVS effective 31/1/22) with any departures agreed by the Valuation Manager, prior to drafting the valuation report.
  - (c) Prepare a draft report for review by the Valuation Manager to ensure the valuation is consistent with valuation standards and other relevant valuations received by the Council.
  - (d) Finalise the report, including a brief executive summary, that will be delivered to the Valuation Manager.

4.7 For the avoidance of doubt, the valuation will not include any chattels.

## **5. PROPERTY OWNER VALUATION**

- 5.1 The property owner may elect to secure their own independent valuation report as an input to the Council's offer process. The valuer should adopt the valuation guidance developed by Valuation Manager to ensure consistency in the valuation assumptions applied.
- 5.2 The Council will contribute towards the property owner's valuation advice provided by a Registered Valuer, as well as legal advice, up to a maximum of \$5,000 (excluding GST). The property owner's reimbursement claim must be supported by invoices and are only payable where those costs have been incurred prior to the Council offer being presented to the owner.
- 5.3 The property owner's valuation must be submitted to Council Valuation Manager prior to the Council Offer being made.

## **6. CONSIDERATION OF VALUATIONS**

- 6.1 Where the Council is advised by the property owner that they will not commission their own valuation, the Valuation Manager will prepare a final valuation recommendation report, as per clause 6.3(a).
- 6.2 Where the property owner commissions a valuation, that valuation and the valuation prepared by the Council's allocated valuer will be forwarded to Valuation Manager.
- 6.3 The Valuation Manager will complete an initial desktop review of the valuation report(s) received and take one or more of the following actions depending on the degree of disparity, if any, between valuations:
  - (a) Prepare a recommendation report regarding the value of the property and apportionment between improvements and land (both residential and non-residential) and considering relevant buy-out valuations for nearby properties to help ensure consistency.
  - (b) Exchange of valuation reports between the two valuers and a subsequent "without prejudice" meeting convened by the Valuation Manager, to try and resolve differences

between the valuations and, if appropriate, revise their valuations accordingly. Valuers time in attending such meetings will be reimbursed by the Council at an agreed rate. Pending the outcome of the meeting and revised valuation reports, the Valuation Manager will provide a recommendation report as per 6.3(a) above or may proceed to 6.3(c) below.

(c) A further valuation, at the Council's cost may be sought. The Valuation Manager will then provide a recommendation report as per 6.3(a) above.

6.4 The Voluntary Buy-out Offer will be informed by the Valuation Manager's recommendation report which can be made available to the property owner as part of the Offer process.

## **7. DISPUTE RESOLUTION**

7.1 The Process is part of the Voluntary Buy-Out Policy. There is no provision for formal mediation or arbitration to resolve differences between valuations.

7.2 If a property owner, participating in this Process, believes that the Process is not being applied correctly or in accordance with the principles set out in clause 2 of the Policy, they may request a review of their case by the Council's Chief Executive, or his or her delegate.

7.3 The review will be carried out within four weeks of a written complaint and the outcome of the review will be communicated to the owner.