

# Rating Policy Review

COUNCIL WORKSHOP

SEPTEMBER 2024

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**Absolutely Positively**  
**Wellington City Council**

Me Heke Ki Pōneke

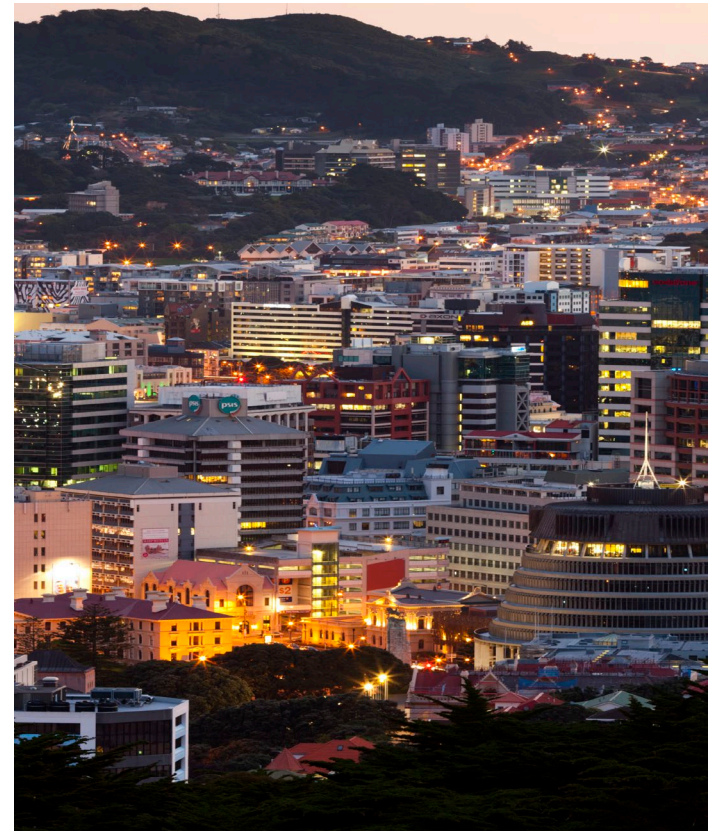


# Context – Rating Policy Review

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- As part of the 2024-34 LTP we undertook a review of our ‘rating’ policies
  - Not one policy, but multiple policies (R&F policy, FIS rating , Remission Postponements)
  - Iterative process, which started more than 2 years ago
  - Agreed to continue review post LTP
- An effective rating review
  - let’s Council decide the appropriate allocation of rates
  - achieves a balance among the funding principles, transparency and simplicity
  - let's the community share its view on the proposal with Council
  - means the Council can set a lawful rate

It is about considering the proportion of rates each ratepayer should pay.



# Context – Continuous Review

## LTP review (September 2023– June 2024)

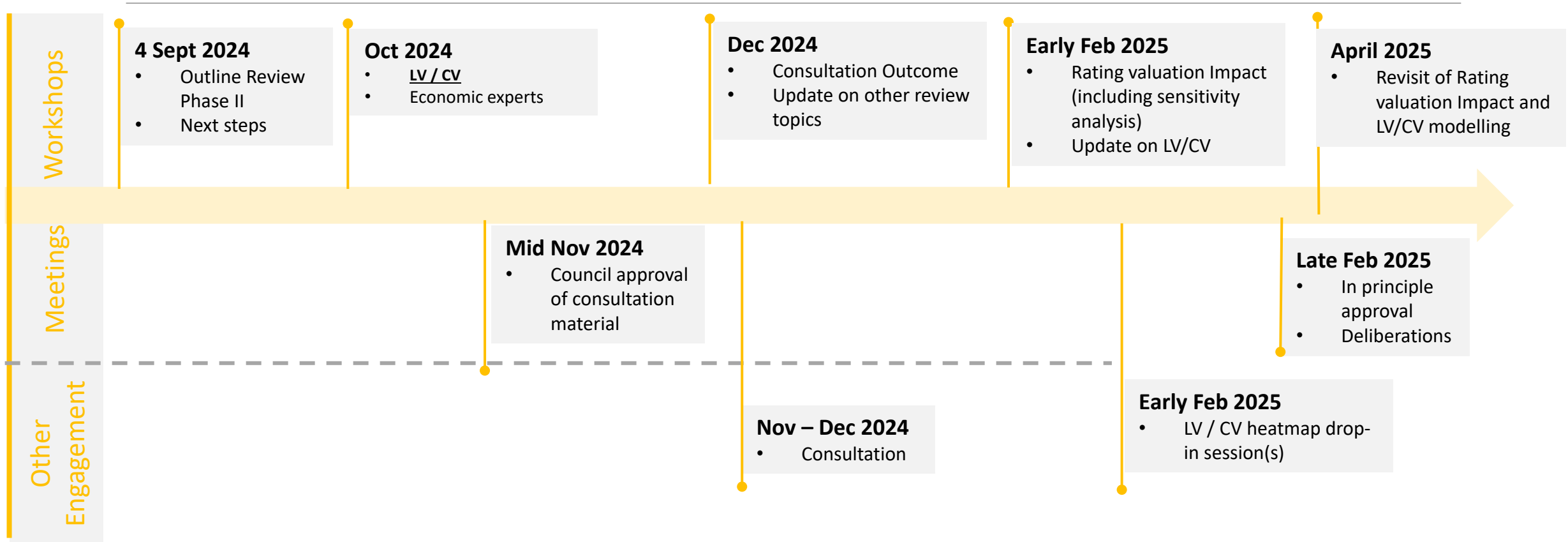
- Efficient use of land
  - Initial LV v CV modelling
  - Vacant / Derelict land differential
- Remission & Postponement Policies
  - EPB remission policies
  - ML remission

## Current Focus (September 2024– June 2025)

- Efficient use of land (LV vs CV rating base)
- Online Accommodation Providers
- Time of use charging
- Affordability, regressive rating options, etc

**We will continuously review all rating policies as part of every AP/LTP**

# Timeline – Phase II



# LV vs CV – previous Info provided

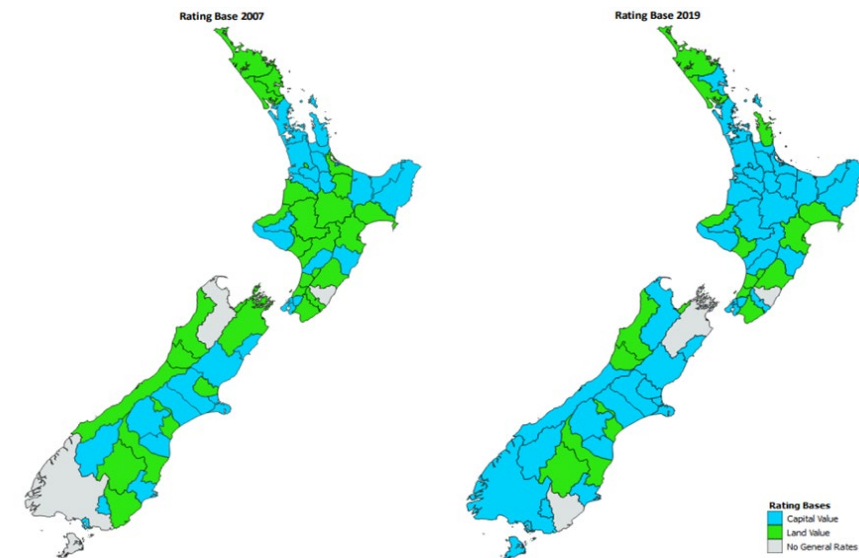
Productivity Commission *Using Land for Housing Inquiry* noted that:

*A capital value rating system taxes the improvements on land; so, at the margin, owners are discouraged from developing land or intensifying development on it. By contrast, a land value rating system encourages land to flow to its highest value use and, at the margin, discourages holding undeveloped land.*

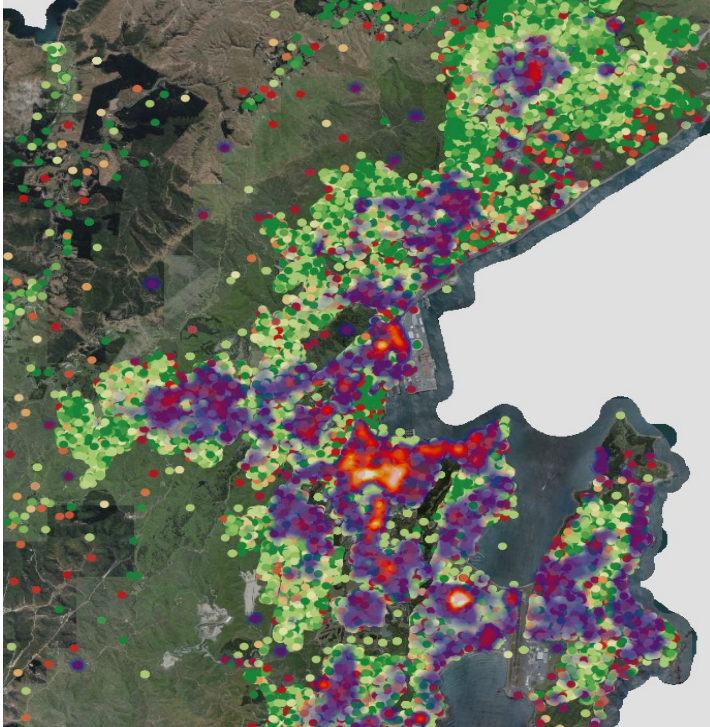
*The Commission acknowledges that changing back to land value rating would **cause significant administrative costs and disruption** for these councils.*

Both rating systems have merits and shortcomings

- There is no need to only rate on LV or CV
- Can be a general rate on LV and targeted rates on CV
- We will provide an updated LV/CV modelling impact heatmap pending revaluation



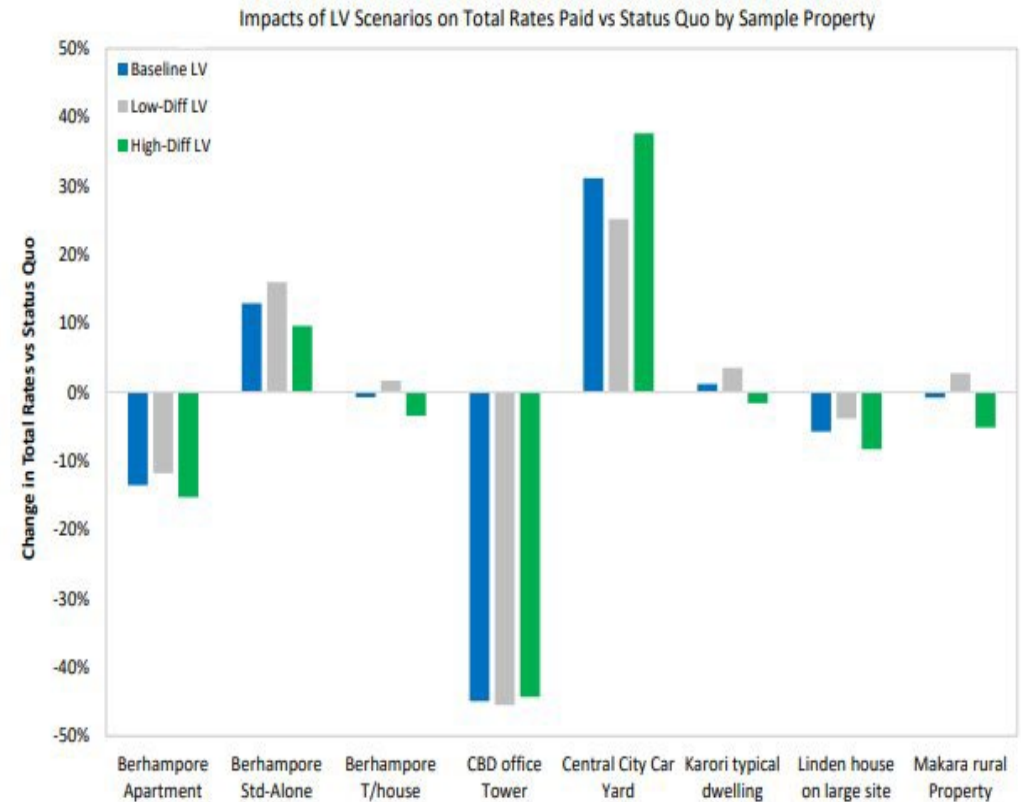
# LV vs CV – previous Info provided



Note:

This modelling keeps the current 56: 44 (Residential/ Commercial) split in general rates, which sees the differential going to 5.0

The CBD is heavily influenced by properties on Cambridge Terrace / Kent/ Karo Drive (Carparks & Car yards) that pay considerably more under a LV system.



# Rating of Online Accommodation Providers (“Airbnb+”)

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- Many Councils are looking at initiatives for Airbnb+ providers to pay commercial rates
  - Airbnb+ providers are expected to self report (if accommodation is the dominant use, >28 days)
  - There is little incentive to do so
  - Thereby Airbnb+ benefit from visitor incentive programs funded by commercial providers (hotels/motels/backpacker) but do not contribute to funding
  - There is also a lack of regulatory control on Airbnb+ providers compared to other commercial ratepayers
- There is a strong desire for a national solution from all councils we spoke to
  - Driven by identification issues, high admin cost and possible legal challenges
  - A national solution, however, is likely to take considerable time and needs to involve a register
  - Such a solution is already actively discussed in Australia / has been implemented by some states



# Rating of Online Accommodation Providers (“Airbnb+”)

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- Currently two ways to identify Airbnb’s in the absence of a register:
  - Requirement of resource consent for temporary accommodation (Queenstown, Christchurch)
  - Identification based on matching property photos with Airbnb rentals (Rotorua, Auckland)
  - “Whistleblowing” is a key element of the success of such an approach
  - WCC and HCC are currently reviewing their Airbnb rating policy
- Costs of identification and administration are likely higher for Wellington than other Councils (Airbnb+ in multi-unit buildings are hardest to identify)
  - However, there are reasons why we now believe that we should try to identify these properties
    - Sends a signal to the market
    - Helps to promote the national solution with a register
    - Establishes equity and fairness

# Time of Use charging

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Legislation proposed for Time of Use charging

- Intent to control road congestion during peak demand and move towards 'point of use' funding of transport assets
  - Primary intent is to control congestion
  - Income supports regionally significant transport assets
- Regional users can configure charging schemes to fit regional needs with the approval of NZTA's specialist unit

# Other rating issues

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## Affordability

- Relative Rates affordability is a key concern
  - Policy changes to rating policy will always create some winners and some losers
  - We will provide an updated affordability by suburb analysis once census data becomes available
  - We will also relate any changes in rating base (LV/CV) and their impact on relative affordability

## Progressive Rating System

- A suggestion to evaluate the impact of having a progressive rating system (based on CV brackets)

What other rating policy issues should we review?

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Questions?



# Our Plan for the 1 Sept 2024 rating valuation

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We want to build trust and confidence in the rating valuation process, this includes:

- Communicating to ratepayer and Council early and frequently
  - Sending letters out in September explaining the process and timing
  - Updated webpages and social media channels
  - Marked different touch points with key steps in the process (start, during, end/objections)
- Tailoring communication to ratepayer concerns throughout the process
  - Working with front facing teams (CSRs, Media & social teams) on themes and FAQs
  - Communicate the implication of the rating valuation to ratepayers - distribution and what it means for them.





# Wellington District Rating Valuation Introduction





# Agenda

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- Introductions
- Rating valuation process
- Key dates
- Market updates
- Collaborative Approach





# Introductions

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## Project Leads

- David Nagel – Chief Operating Officer
- Sophie Treder – Manager Northern Revaluation Team
- Hoa Quan – Wellington Office Manager, Wellington
- Jack Whiteman – Senior Consultant, Wellington

All the project leads are registered valuers with over 70 years valuing experience between us, mostly within the Wellington region.

The Wellington City valuation team includes 10 registered valuers, many who have revalued Wellington City multiple times.

# Rating Valuations Vs Market Valuations



Rating values are a 'snapshot' of the market at a single point in time



If market prices change, a rating valuation cannot be expected to represent the market value for an extended period



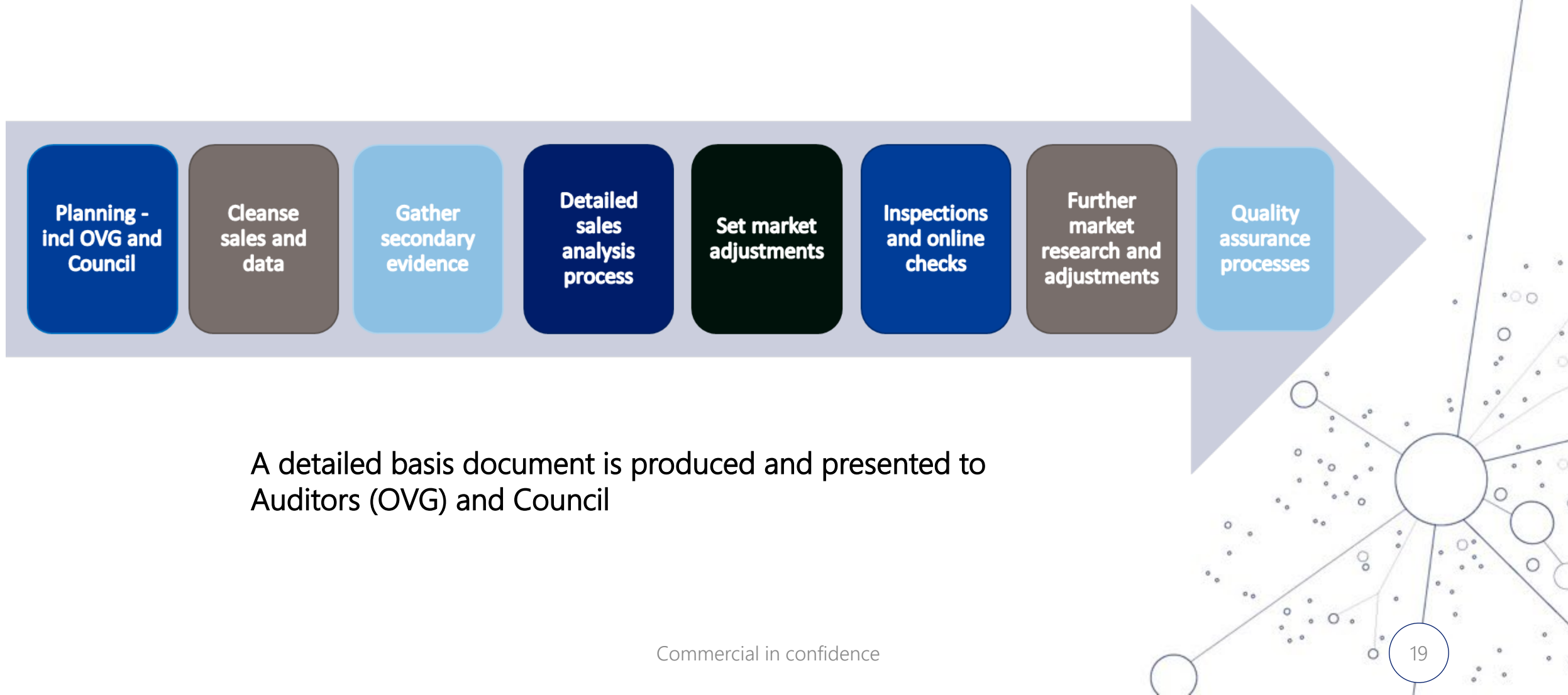
Rating values do not include plant and chattels, or trees.  
Rating valuations assess as freehold, not a leasehold interest



The community and market set property value levels  
– QV interprets this to form rating values

# Process

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# OVG Audit & QV mitigations

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- Traffic Light System
  - Green to Red (5 status rankings) for minor to significant issues
  - Potential for significant delays up to 6 months
- New Quality Assurance Unit
  - Replicate OVG audit functions
  - 5 person team (3 x-OVG auditors)
- Created North and South Island revaluations teams
  - Valuation expertise
  - Specialised revaluation skillsets
  - Best practice
  - Consistency of delivery to OVG
- Improved technology and data sets
  - Thematic mapping
  - REINZ pre-settlement sales feeds
  - Improved delivery of roll maintenance

# 2021 OVG Audit Results



OVG issued a “Green Traffic Light” (Proceed – Original Timeframe) in late November 2021

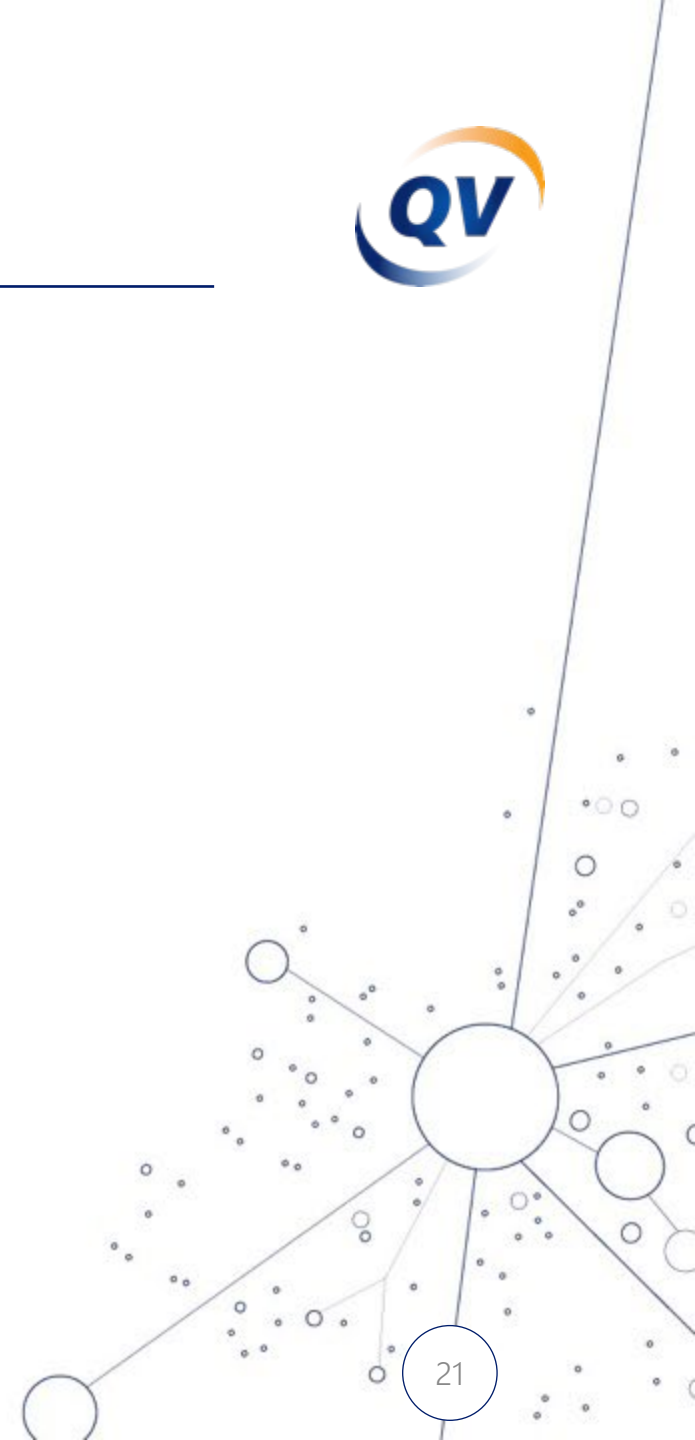
## OVG Audit Opinion

**An overall ranking of 4 is the minimum level required and any areas below this would have required improvement during the audit to achieve certification.**

Ranking Criteria	Ranking Urban
Quality Control	4.4
General Property Inspections	4.4
Inspections of Sold Properties	4.4
Working Basis	4.4
Application of Values	4.4
Evidence Conclusions	4.4
Evidence Analysis	4.4
Presentation of Basis	4.4

## OVG Audit Recommendation

- Better use of thematic mapping tools
- Identification of development sites
- Ensure Quality Category Qualifiers utilized



# Key Dates

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- Effective date of valuation: 1 September 2024
- File sent to OVG: 15<sup>th</sup> November 2024
- OVG Site Visit: 25<sup>th</sup> November 2024
- Certification & Implementation: Late 2024
- Public Notice: Within 5 working days of implementation
- Earliest Last Day of Objection: 30 working days after Implementation





# HPI Market Summary



Commercial in confidence



# Market Updates

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- We are currently at the detailed analysis of the sales stage before applying the initial market adjustments for each location and property sector:
- **Residential** Property Capital Values: Decreasing between 20-25%
- **Residential** Property Land Values: Decreasing between 30-40%
  - Credit remains tight
  - Still a buyers market
  - Limited demand for land suitable for high/medium density housing
  - Green shoots?
- **Commercial** Property Capital Values: Decreasing between 20-30%
- **Commercial** Property Land Values: Decreasing between 35-45%
  - Rents decreasing
  - Increasing yields
- **Industrial** Property Capital Values: Decreasing 5-10%
- **Industrial** Property Land Values: Holding Steady
  - Steady/slight increase in rents
  - Increasing yields



# Collaborative Approach

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- We want a collaborative approach for this revaluation and to have good communication throughout the process.
- There is a fortnightly catch-up between the WCC and QV on the rating valuation.
- We have our new internal Peer Review/Quality Assurance Team that we require the Basis & Values to be complete 3 weeks before the Files & Basis is due at OVG. We can send council a copy of our basis ahead of it being sent to the OVG.
- Paul McCorry from the WCC will also be conducting a peer review on behalf of the Council.
- We will take the WCC team through our new Monarch Mapping which will display visually the value movement for different properties.

# Questions



# Next Steps

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Workshop on LV/CV (October 2024)

Council Paper with Consultation Material (November 2024)

Briefing Consultation outcome (Mid December 24)

Briefing on rating valuation impact (Early Feb 2025)

Updated LV vs CV modelling (Early Feb 2025)

Revisit of Rating valuation impact & LV vs CV modelling after consultation / objections (April 2025)