

## **AWATARARIKI FANHEAD, MATATĀ**

### **WORKSTREAM 2 PROPERTY VALUATION BRIEF FOR VALUERS ENGAGED BY PROPERTY OWNERS**

#### **1.0 Purpose**

To assess the market valuations of properties on the Awatarariki fanhead exposed to a high annualised loss of life risk from future debris flows. Assessments are to make no discount for the debris flow event of May 2005 or the debris flow risk from the Awatarariki Stream catchment and any consequential regulatory constraints, including proposed Resource Management Act plan changes or managed retreat programme. The assessments will provide a key input into future discussions with property owners around managed retreat from the identified sites.

#### **2.0 Background**

A severe rainfall event on 18 May 2005 triggered a debris flow in the Awatarariki Stream at Matatā.

In December 2012 the Council determined there were no viable engineering solutions to manage the debris flow risk to people and properties on the Awatarariki fanhead and agreed to pursue planning-based options, which included information provision, rezoning and retreat from the site.

The Council decision formally recognised that the properties known to be at risk from the debris flow hazard from the Awatarariki Stream catchment would continue to be exposed to levels of risk associated with that hazard in the future.

Since that time, the Council has investigated a range of risk reduction options but none have proved viable. The only risk reduction option remaining is to relocate people away from the high debris flow risk area. The Council has worked with the Bay of Plenty Regional Council and Central Government to develop and deliver a programme of managed retreat that will be funded by the three levels of Government. Delivery of the programme is conditional upon confirmation of funding which is expected to be known on or before 30 June 2019.

The Council, by formal resolution, approved the Awatarariki Fanhead, Matatā, Acquisition Strategy as the guiding methodology to be used to deliver a programme of managed retreat for properties that have an unacceptable loss-of-life risk from future debris flows from the Awatarariki Stream catchment. The Acquisition Strategy provides an opportunity for property owners to contest the market valuation for their property arrived at by the valuer engaged by the Council (TelferYoung (Tauranga) Limited). In such cases, the valuer engaged by a property owner is required to comply with this valuation brief. The Council will reimburse the reasonable costs of obtaining such valuation subject to confirmation of compliance with this brief.

### 3.0 Valuation Methodology (for all properties within the High Debris Flow Risk Area except for 96 Arawa Street, 5 Clem Elliott Drive, and 16 Clem Elliott Drive)

Undertake a valuation of the property using established valuation methodology and standards.

The valuations are to be undertaken in accordance with the Property Institute of New Zealand Professional Practice Standards as adopted at the date of the valuation, and the International Valuation Standards (IVS) 2017; and more particularly, the following standards:

- IVS Framework
- IVS 101 Scope of Works
- IVS 102 Investigations and Compliance
- IVS 103 Reporting
- IVS 104 Bases of Value
- IVS 105 Valuation Approaches and Methods
- IVS 400 Real Property Interests
- Australia New Zealand Valuation Guidance Notes 1 Valuation Procedures – Real Property
- Australia New Zealand Real Property Guidance Notes 1 Disclaimer Clauses and Qualification Statements
- New Zealand Valuation Technical Information Paper 1 Goods and Services Tax (GST) in Property

IVS 105 refers to three approaches to valuations, namely the Market, Income and Cost approaches. The Market Approach uses the comparable transaction method to analyse sales evidence to common units of comparison, e.g. \$/m<sup>2</sup>. The Income Approach estimates the value of a property based on the income the property generates. The Cost Approach considers the cost of replacing the property with one of equivalent utility, with allowances for physical depreciation and obsolescence to derive a market value.

In accordance with the Council's Acquisition Strategy for the Awatarariki Fanhead, the Market Approach is the only approach that is acceptable to the Council and all valuations supplied must comply with this requirement.

These standards provide the following definition of Market Value;

*"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

The market value of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of

an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

It is noted that market evidence may need to extrapolate recent trends from sales of most comparable properties in areas outside the subject community. This is on the basis of the low number of sales within the Awatarariki Fanhead locale, and that those prices were discounted due to the effects of the debris flow vulnerability which needs to be ignored for this exercise. The low number of local sales presents some, but not an unmanageable amount, of difficulty as there have been sales in a neighbouring area that provide some relevant evidence, and this is a known complication that can arise in valuation work in any event.

### **3.0 Valuation Methodology for 96 Arawa Street, 5 Clem Elliott Drive, and 16 Clem Elliott Drive**

The Council's Awatarariki Fanhead Acquisition Strategy contains specific provisions for properties that have changed ownership since 1 January 2013. The provisions include a formula that requires calculation of a purchase discount – an amount that reflects a discounted sale price due to market stigma associated with public knowledge known at the time of the Council's decision to not provide an engineering solution to manage the debris flow risk to Awatarariki fanhead properties.

Three properties within the High Debris Flow Risk Area have changed ownership since 1 January 2013: 96 Arawa Street; 5 Clem Elliott Drive; and 16 Clem Elliot Drive. For these properties, the following specific requirements apply:

- (i) Undertake a market valuation using established valuation methodology and standards as described in Section 5 above;
- (ii) Assess the market value at the time the property most recently changed ownership ignoring market influences caused by the 2005 debris flow event;
- (iii) Confirm the sale price and date of sale/purchase

The above data is to be applied to the Recent Sales formula in section 5.1.9 of the Council's Acquisition Strategy to calculate the Base Value component of the Voluntary Retreat Offer formula.

### **4.0 Anticipated Outputs**

The outputs of the project are one hard copy and one electronic copy of a Valuation Report provided to the property owner and the Council. The report is to include a description of the work undertaken, the methodology followed, and an assessment of the market value. A clear apportionment of the market value is to be provided including chattels. For those properties in multiple Maori ownership, no discount for the number of owners is to apply.

Following acceptance and payment for the report, the reports will become the intellectual property of the property owner and the Whakatāne District Council.

### **5.0 Dispute Procedure**

There is an escalating process to resolve material differences in market valuations between the Council's valuer and a valuer engaged by the property owner.

Subject to the valuation using a market approach, the first stage of the dispute resolution process involves the Council's valuer and peer reviewer meeting with the owners' valuer to identify points of difference to see if they can be quickly overcome. The meeting will be facilitated by Mr Greg Ball of The Property Group. It is anticipated that the majority of any disputed valuations will reach agreement at this point.

In the event that the differences between valuations cannot be resolved, a more formal dispute resolution process will be triggered. It is proposed that, depending on the significance and complexity of any dispute, flexibility be retained to allow the best form of resolution to be found on the facts (more simple differences can be often be resolved through more simple techniques). At the upper level of complexity, the Council is prepared to commit to a formal process to have a robust, independent result determined. That process would extend to formal appointment of an expert umpire appointed by the President of the New Zealand Institute of Valuers, or his/her delegate, if matters are very difficult and any points of agreement are hard to achieve.

If the owner is successful in their valuation argument, an upwards adjustment to the purchase price will be made.

#### **6.0 Anticipated Outcome**

Confirmation of the market valuations of properties on the Awatarariki fanhead exposed to a high annualised loss of life risk from future debris flows to ensure any voluntary retreat offer includes a fair price for each property.

#### **7.0 Project Delivery**

Two copies and one electronic copy of the final valuation report are required to be provided within 28 days of the valuation being undertaken.

The invoice for the work together with an electronic copy of the valuation report should be provided to Melissa Boswell ([Melissa.Boswell@whakatane.govt.nz](mailto:Melissa.Boswell@whakatane.govt.nz)) or Jeff Farrell ([Jeff.Farrell@whakatane.govt.nz](mailto:Jeff.Farrell@whakatane.govt.nz)) at the Whakatāne District Council.

Jeff Farrell

MANAGER STRATEGIC PROJECTS

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