

IN THE MATTER OF an objection against a valuation under the
Rating Valuations Act 1998

BETWEEN **THOMAS BRUCE GOODFELLOW**

Objector

AND **FAR NORTH DISTRICT COUNCIL**

Respondent

Tribunal Chair: His Honour Judge J D Hole

Members: D A Lowe Esq
J F Hudson Esq

Date of Hearing: 19 March 2003

Date of Decision: April 2003

DECISION OF THE TRIBUNAL

Introduction

[1] This objection to the respondent's revaluation of 1 September 2001 relates to two separate freehold titles which form part of Moturua Island in the eastern Bay of Islands.

[2] The first title contains 5.7845 hectares being Lot 1 Deposited Plan 57873 contained in Certificate of Title 12C/1494. The second title contains 4.5805 hectares being Lot 2 Deposited Plan 57873 contained in Certificate of Title 12C/1495. Both titles record estates in fee simple with the registered proprietor being Moturua Properties Limited.

[3] The subject land encompasses Hahangarua Bay being at the south-eastern end of Moturua Island. The two lots combined form an amphitheatre to the bay which has an attractive sandy beach running to easy flats and then rising to the rear on a medium to steep gradient to the western and northern boundaries.

[4] About 10% of the land is in an improved state with landscaping, planted trees for shelter and enhancement and holiday accommodation. The balance is largely regenerating native bush.

[5] A significant part of Lot 2 is Paeroa Point which is the site of Paeroa Pa. This is scheduled as a category 1 site of national importance for permanent preservation. Because of this status it would be virtually impossible to locate a house on Paeroa Point.

[6] Without doubt the two lots collectively comprise one of the loveliest properties in the Bay of Islands. There is a beautiful and safe beach. There is plenty of land for future development. In the meantime, the property has been developed in such a way that each house has privacy, shelter, attractive views, and indeed, a magnificent general environment.

Objection

[7] In its 1 September 2001 revaluation Quotable Value fixed values for the properties as follows:

Lot 1

Improvements	\$250,000
Land value	\$1,800,000
Capital Value	\$2,050,000

Lot 2

Improvements	\$100,000
Land value	\$1,700,000

Capital value	\$1,800,000
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[8] The objection is to land values solely. The objector initially claimed for a combined land value of \$2,500,000. This was based on two individual values totalling \$2,800,000 reduced by a discount of slightly less than 10% to take into account the single ownership of both titles. This had previously been the practice.

[9] In recognition that each lot must be separately valued, the values contended for by the objector are as follows:

Lot 1

Improvements	\$250,000
Land value	\$1,300,000
Capital value	\$1,550,000

Lot 2

Improvements	\$100,000
Land value	\$1,200,000
Capital value	\$1,300,000

[10] Thus, in respect of both lots the objector contends for a land value of \$2,500,000 against Quotable Value's assessment of \$3,500,000.

[11] Both the objector and Quotable Value have referred to sales evidence affecting generally the same properties. However, in applying that evidence to the subject properties, the objector claims that Quotable Value has failed to take into account various detrimental factors which affect them. In particular the objector points to the fact that island properties are different from mainland sites by reason of the following factors which impact on saleability:-

[a] Access is only by sea or air. In this case the property is 5.5 kilometres from Te Unga Bay and 10.8 kilometres from the Russell wharf.

Access by water is dependent on reasonable weather conditions and these impact upon arrival and departure times. Part of the voyage between the property and Russell-Paihia is subject to ocean exposure. This is a factor that must be taken into account particularly as many holiday properties are accessed on Friday afternoons and Friday evenings.

- [b] There are no mainland services available at the island and it is necessary to provide alternative power, telephone, water supply, sewerage and rubbish removal services.
- [c] Any development or improvements on an island property are only completed at considerable expense. Materials and equipment must be barged to the site and can only be loaded in good weather conditions. Labour is expensive as there is a large amount of time lost through travelling and adverse weather. The resource consent process appears to be more keenly contested than in respect of many mainland properties.
- [d] Sea conditions play a significant role in the enjoyment and development of an island property. If storm conditions are predicted the occupation of the location is usually cancelled or cut short. With mainland properties, of course, there is usually road access.
- [e] Unless an island property has a resident caretaker, there are very real security problems and fire risk.

Sales Evidence

[12] Valuation evidence for the respondent was given by Mr Robert Mitchel, a registered valuer employed by Quotable Value (NZ) Limited. For the objector, Mr T S Baker who is a registered valuer employed by Telfer Young (Northland) Limited gave evidence. With the consent of the parties, the Tribunal walked over the subject property. It also viewed from the water all the sites which are referred to in this decision.

Motukiekie Island

[13] This island is situated immediately to the east of Moturua Island and comprises a land area of 28.8339 hectares. It is of medium to steep contour and has a

predominantly rocky coastline with a few small beaches. There are a number of elevated building sites throughout the island. The island was sold in May 2000 for \$1,950,000. Mr Mitchel analysed this sale to show a vacant land sale price of \$1,900,000. Mr Baker's analysis was that there were no improvements of value included in the sale price and that the sale price of \$1,950,000 pertained to land only. Mr Baker said that at the time of the sale the purchaser still had to obtain resource consents and approvals for the jetty, walkway and residence which have now been built upon the island. Both parties referred to a further sale recorded in November 2001 for \$2,500,000. This sale occurred about 14 months after the revaluation date. Furthermore, there are some doubts as to what was included in the sale price. The Tribunal declines to consider it.

[14] The Tribunal gives significant weight to the May 2000 sale. Both parties accepted that that sale was *bona fide*. The Tribunal accepts that in all probability by the valuation date of 1 September 2001 valuable resource consents would have been obtained and an allowance should also be made for general price movement during that period. All of this would have some impact on land value.

Orokawa Bay – 5.9615 Hectares

[15] This is a mainland property without road access and is situated in the sheltered Orokawa Bay. It is approximately 1.5 kilometres by dinghy from Te Hue Bay. There is good access from the Russell Rawhiti Road to the waterfront at Te Hue Bay and from there it is only about 10 minutes travelling by small boat to the property. Without this access (which is dependent upon the goodwill of local land owners and the payment of an \$800 per annum fee) access to the property would have to come from Russell via Tapeka Point or from Te Uenga Bay.

[16] This property was sold in February 2000 for \$1,167,000. As at that date Mr Baker deducted \$175,000 for existing improvements to arrive at a land value of \$992,000. He indicated that an allowance of some 15.7% for price movement between date of sale and 1 September 2001 would indicate a land value for this property as at 1 September 2001 of around \$1,148,000. Mr Mitchel adopted a comparative land value at revision date of \$1,100,000.

Orokawa Bay 1.214 Hectares

[17] This coastal property comprises a land area of 1.2140 hectares with frontages both to Orokawa Bay to the south and Pareanui Bay to the north. Development is adjacent Orokawa Bay. There is a sweeping sand and shingle beach. On the open

coast there is a pebble and rocky foreshore. Unlike the other properties referred to in this decision, this property has the benefit of reticulated power to it. It does not have road access other than as described in paragraph 15 for the 5.9615 hectare property.

[18] The property was sold in February 2002 for \$1,800,000. Significant improvements were included in the sale. This sale is after the revaluation date but nonetheless it provides a useful check.

[19] Mr Baker's analysis of land value relative to the sale is \$1,350,000. Mr Mitchel's land value assessment was \$1,620,000. It is clear that Mr Mitchel did not make sufficient allowance for improvements and chattels. However, Mr Baker was over-generous in these allowances.

Land Sales Evidence Generally

[20] Both valuers referred to other sales evidence. However, the Tribunal considers that the three sales referred to in this decision are the most useful. The Motukiekie Island sale and the sale of the 5.9615 hectares at Orokawa Bay are of the greatest assistance to the Tribunal as they contained little or no improvements.

[21] Mr Mitchel attempted to rationalise the various attributes of the two lots and the sales by means of a points table to weight the various advantages. The rationale behind this had some merit. However, its implementation is flawed. What he attempted to do was to introduce a mathematical formula to the evidence in an attempt to reach a more objective result. The problem with this was that the whole exercise depended upon a subjective analysis of the various attributes to the properties. Thus, at the end of the day, the points table was of no greater use to the valuation process than any other subjective analysis. Whilst all valuers endeavour to be as objective as they can when valuing land, the reality is that valuation involves subjective analysis. One example of the problems thrown up by the adoption of the points table was that a lovely beach might score 25 points yet the effect of its propensity for surf detrimentally affects the access to the island; whereas an average beach with excellent access by boat and with a good anchorage might only attract 18 to 20 points.

[22] In considering land value the Tribunal has removed from its collective mind all consideration of improvements existing on the various sites including landscaping and planting. It has recognised that it is valuing the two adjoining lots independently and that the occupation of one lot may well have some effect upon privacy and seclusion aspects of the other.

[23] Whilst Motukiekie Island is steeper and in some respects has a more restrictive house site than the main house site on Lot 1, it does have:

- [a] Good access from the water and a good anchorage
- [b] Additional beaches including the beach where the original and still existing A frame cottage was built. It has the potential for other secluded building sites.
- [c] It comprises the whole island and the owner can therefore totally control all aspects of development on the site.

Accordingly, the Tribunal concludes that Motukiekie Island is superior to each of the individual lots of the objector.

[24] The 5.9615 hectare Orokawa Bay site was analysed by the valuers at revision date to have a land value of between \$1,100,000 and \$1,148,000. It is considered to be quite similar to each of the lots of the objector. Certainly the beach is not as good as Hahangaroa Bay but the anchorage and access are undoubtedly superior. When compared with the other sales, the price paid for this property was at the lower end of the spectrum.

[25] The 1.2141 hectare Orokawa Bay property which sold in 2002 for \$1,800,000 had a land sale price range from \$1,350,000 to \$1,620,000. This property has two beach frontages and some potential for further development must be allowed for by the existence of the northern beach. The main beach does not have the aesthetic qualities of Hahangaroa Bay but its access and anchorage are superior. Furthermore, it has the advantage of reticulated power although no evidence was given as to how this affected the land value of this property.

[26] The Tribunal considers that the Orokawa Bay properties are very comparable with each other.

[27] If each of the subject lots is treated separately, privacy and seclusion factors (unlike for Motukiekie Island) are compromised. Furthermore, adverse weather patterns affect the site and boat access to a greater degree than for those properties referred to in the sales evidence.

[28] The Tribunal has walked the boundaries of the entire property. It recognises that each lot has its own individual merits. It acknowledges that there is a minor difference in area. However, it concludes that each is of equal land value..

Separate Properties

[29] It will be observed that in this decision each Lot has been referred to separately. Certainly, so long as the current ownership remains in place, both Lots are treated as a whole. However, in undertaking the valuations for the district valuation roles, each separate property must be independently valued. This is required by s 7(2) Rating Valuations Act 1998. The Privy Council confirmed the principle in *Rodney District Council and others v Attorney-General* (NZ) [2002] UKPC47 when it commented:

“The expression “separate property” has to be given a meaning which is appropriate to its context. Its purpose was to describe the extent of the property which was to be entered on the valuation roll with a view to its being identified as rateable property so that rates could be levied on the occupier.”

The principle was confirmed by the Valuer General in his ruling which was published after the Privy Council decision.

[30] The Tribunal confirms that there is no justification for any discount for the fact that each lot is owned by the same registered proprietor. Indeed, this is one of those unusual cases where it seems that the fact that each lot is independently valued has the effect of reducing the overall value of the entire property. In other words, whilst the Tribunal is not required to decide this point, it is possible that the sum of the land values for each lot is less than the total land value for the entire property if it were in one title.

Conclusion

[31] The range of indicated land values obtained from the various sales referred to in this decision relative to the revision date of 1 September 2001 is in the broad range of \$1,200,000 to \$2,200,000. The Tribunal concludes that the land values for each of the individual Lots should be \$1,500,000. Accordingly, the values as assessed by the Tribunal are:

Lot 1

Improvements	\$250,000
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Land value	\$1,500,000
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Capital value	\$1,750,000
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Lot 2

Improvements	\$100,000
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Land value	\$1,500,000
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Capital value	\$1,600,000
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Judge J D Hole
(Chairman)