

Estimate of projected valuation

July 2010

In order to smooth the impact of property revaluation, the Auckland Regional Council (ARC) adopted the Estimate of Projected Valuation (EPV) methodology in 2005/06. This is provided for under the Local Government (Rating) Act 2002. In 2010/11 the ARC will continue to use this methodology.

Given the rapid changes in property values that the region has experienced over the last few years, the current cycle of revaluation can lead to large increases or decreases in particular territorial districts, irrespective of the ARC's rating policy decisions.

ARC rates are set based on the capital and land values of a property, and properties in the Auckland region are revalued on a three-yearly cycle. In each year the properties in two or more of the territorial authority areas are revalued. This means that in any year, the ARC's rates are assessed on property values that are current for some local councils, one year old for other local councils and two years old for the remainder.

The adoption of EPV is designed to address the substantial swings in the incidence of rating in different parts of the Auckland region. EPV smoothes the impact of the three yearly cycle of property revaluation, and will mean a fairer spread of rates in each year.

Since the ARC uses capital and land value for all of its rating, changes to property values directly influence rates bills. Under this system, ratepayers can expect to receive substantial movements in their rates account, depending on the level of change to their property value over that three-year period compared with other areas. For example, property owners in Franklin District and Papakura District received new property valuations that are effective for the 2010/11 rating year, and without EPV would receive very large decreases in rates due to the current decline in property values. Conversely, areas that did not receive new property valuations in 2010/11 would not receive the benefit of reduced valuations and would be disadvantaged by keeping their old valuations that do not take into account the recent decline in overall property values.

With EPV the council is able to use estimates for all areas each year to smooth the impacts of the revaluation cycle. The estimates are expressed as a factor, which represents the average market movement in that area since the last three yearly property valuations were done. The valuation factors will be provided to the ARC by a registered valuer (*Quotable Value* has been contracted to provide this) and the factors are then audited separately. These factors are applied as differentials to properties within each district or city to adjust the rates. Within each district or city, separate factors will be provided for business and non-business properties based on both land value and capital value.

Franklin District and Papakura District have undergone a general revaluation for the 2010/11 rating year. Franklin District and Papakura District valuations are valid from 1 September 2009. As a result the EPV factors for Franklin District and Papakura District are set at 1.0. The factors for the other four local councils reflect that they were last revalued one year (Auckland City, Manukau City and North Shore City) and two years (Waitakere City and Rodney District) prior to the projected valuation date.

The EPV factors (rounded to two decimal places) for 2010/11 are as follows:

Table 1: EPV Factors (audited):

Valuation	Land Use	Auckland City	Franklin District	Manukau City	North Shore City	Papakura District	Rodney District	Waitakere City
Capital Value	Business	0.98	1.00	0.95	0.97	1.00	0.93	0.98
	Other	0.99	1.00	0.99	0.96	1.00	0.91	0.94
Land Value	Business	0.90	1.00	0.90	0.85	1.00	0.90	0.98
	Other	0.96	1.00	0.97	0.95	1.00	0.91	0.93

The new Auckland Council and your rates

Under legislation, the ARC is required to provide an annual plan for the period 1 July to 31 October 2010. However, the council must set a rate and describe any other revenue mechanism required for the full 2010/11 financial year. The balance of the rates for the eight month period will be transferred to the new Auckland Council on 1 November 2010. The intended activities and expenditure of the Auckland Council for the eight months will be set out in the Auckland Transition Agency's planning document, which will be published before 31 October 2010.

Contact us

If you would like to know more you can email rates@arc.govt.nz, or you can contact the Rates Contact Centre on 09 366 2000. Call 0800 80 60 40 if you are outside the Auckland free-call area. Press 3 from the options menu.