

Government Valuation of Land in New Zealand

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Prior to 1896 the valuation of land was not on a uniform basis, the Government and Local Authorities making valuations independently of each other. In that year, however, the "Government Valuation of Land Act, 1896," was passed providing for the setting up of a separate Department of State altogether independent of the Land and Income Tax Department, charged with the duty of estimating the values of real estate in the Dominion for taxation and other Government purposes, and for local rating purposes. Land is valued under the Act on the basis of what it may be worth for the best use to which it is adapted, not on its worth for the use to which it happens to be applied.

The work of the Valuation Department is directed by the Valuer-General. The actual work of valuation is done by District Valuers who, with Assistant Valuers as are deemed necessary, are appointed by the Public Service Commissioner. Local Valuers are temporarily employed by the Valuer-General to make valuations at such times and on such terms and conditions as are found necessary. The essential qualifications of a valuer who is employed in a rural district are reputed knowledge of land values and a practical knowledge of farming pursuits, both agricultural and pastoral, and of values of improvements. A valuer for a Borough must have a special knowledge of building construction and of the values of all kinds of improvements in addition to a knowledge of land values.

A valuer is unrestricted in his means of ascertaining facts necessary for valuations. He must be specially familiar with the real estate market in the district in which he makes valuations. A valuer may at all times during the day enter on any land for the purpose of making valuations, and it is incumbent upon the owner, occupier or manager thereof, when requested, to afford all information he possesses to enable a correct valuation to be made.

DATA SUPPLIED TO VALUERS

Maps of Cities, Countries, Boroughs, Town Districts, Road Districts, and special Rating Areas, showing the official sectional designation and area of each property, and sub-division of a property (Crown and Freehold) included therein, are supplied to the valuers and are kept constantly up to date. The valuer is also supplied with a mass of evidence affecting land values from every possible public and private source.

DUTIES OF VALUERS

The duty of a valuer is to examine each property and to estimate (1) the unimproved value of the land contained therein; (2) the value of the buildings (if any) or other improvements; and (3) the "Capital Value" of the property. Land as defined by the Act means "all land, tenements and hereditaments, whether corporeal or incorporeal, in New Zealand, and all chattel or other interests therein, and all timber or flax growing or standing thereon: Provided that native bush or trees planted for shelter or ornamental or utility purposes shall not be included in the definition of land."

"Unimproved value" is defined as "the sum which the owner's estate or interest in the land, if unencumbered by any mortgage or other charge thereon, might be expected to realize at the time of valuation if offered for sale on such reasonable terms and conditions as a *bona fide* seller might be expected to impose, and if no improvements (as defined) had been made on the said land."

In estimating the "unimproved value" of a particular piece of land it is necessary that the valuer shall regard that piece of land as if *it alone* had not been improved at the date of valuation, and ask himself what would be its probable present conditions supposing neither capital nor labour had been expended upon it. He would then ask himself what price the land in such condition would sell for in the open market, assuming that everything else in the country which affects selling values was actually in its present condition, the Dominion progressive or otherwise; market prices of stock, high or low; roads, railways and bridges constructed, etc., etc.; and improvements on *all other lands* duly effected and in their present condition. The answer to this question will be the valuer's estimate of the unimproved value.

The valuer has several guides which together constitute an adequate basis on which to estimate the value. Land in city, town and country, in its improved state and in its unimproved state, is continually being bought, sold or leased for good consideration in the open market throughout the Dominion. Particulars of such transactions are possessed by the Head and District Offices of the Department and are available for the valuers. With expert and local knowledge embodying the above and many other data collected by the Valuation Department, "it is not a difficult matter for the valuer to arrive at a standard unimproved value of land in a district."

Having arrived at a standard unimproved value it then becomes necessary for the valuer to assign to each particular piece of land in the district, according to the quality of the soil, situation, accessibility, configuration or other natural peculiarities thereof, an unimproved value relatively uniform with the standard unimproved value.

Valuers are not to strain after high values, nor accept isolated "boom" prices, or exceptional prices, but to determine the fair selling value on a basis of the best use to which the land is adapted.

DEFINITION OF IMPROVEMENTS

"Improvements on land means all work done or material used at any time on or for the benefit of the land by the expenditure of capital or labour by any owner or occupier thereof in so far as the effect of the work done or material used is to increase the value of the land, and the benefit thereof is

unexhausted at the time of valuation, but does not include work done or material used on or for the benefit of the land by the Crown or by any statutory public body, except so far as the same has been paid for by the owner or occupier either by way of direct contribution or by way of special rates on loans raised for the purpose of constructing within a county, any road, bridge, irrigation-works, water-races, drainage works or river-protection works: Provided that the value of improvements made out of loan moneys raised for the purpose of constructing within a county any road, bridge, irrigation-works, water-races, drainage-works or river-protection works as aforesaid shall not exceed the amount of principal estimated by the Valuer-General to have been repaid by the owner in respect of any such loan by way of special rates."

Subject to the above, all buildings, fencing, planting, draining, construction of private roads and water-races, clearing of timber, etc., permanent grassing, and all other work of a permanent nature effected on or for the benefit of land are improvements.

No work can, however, be considered an improvement if the benefit thereof is exhausted at the date of valuation. The Valuation of Land Amendment Act, 1912, defines "value of improvements" as "the added value which at the date of valuation the improvements give to the land."

CAPITAL VALUE

"Capital value" of land means the sum which the owner's estate or interest therein if unencumbered by any mortgage or other charge thereon might be expected to realize at the time of valuation, if offered for sale on such reasonable terms and conditions as a *bona fide* seller might be expected to require.

The sum of the unimproved value and the value of the improvement constitutes the "capital value."

VALUATION OF MINERAL-BEARING LANDS

Land containing, or supposed to contain, oil, coal or other mineral deposits is to be valued as for the surface use only, and is of the same unimproved value as similar land in the neighbourhood, always without any regard to speculative mineral value, until the oil or minerals are produced when the profits (if any) will be duly valued. In the case of coal mines, valuers are to value the surface of the land and the improvements effected both above and below the surface. The additional data relating to rent, royalty, output, yearly profits, and the separate interests of lessor, lessee, etc., will be ascertained by the Valuer-General. Capitalization is on a percentage basis, varying according to the nature of the industry, its stability, attendant risks and losses, etc. Quarries are similar to coal mines, except that they are worked from the surface. They are valued on the same principle.

REVISION OF DISTRICT AND VALUATION ROLLS

The District Valuation Rolls may be revised by the Valuer-General as at such date or dates as the Governor-General in Council may direct. There are no fixed periods for revision; these may vary from two years in recently

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settled districts to three years or more in old-established districts. The necessity for revision really depends upon the extent to which values have moved since the last revision. When a revision is ordered the valuer makes a careful scrutiny of the unimproved values as well as of improvements taking into account every change in the district, appreciation or depreciation of values, and makes such readjustments as are found necessary.

In the interim between revisions the Valuer-General may of his own motion, from time to time, make all such alterations and amendments as are necessary to readjust valuations, etc., and bring them up to date whenever they are found to be inaccurate in consequence of:—

- (A) Any improvements being added to or removed from the land.
- (B) Any change in ownership or occupancy.
- (C) Any amended valuation being made on the application of the owner of the lands on payment of a valuation fee.
- (D) Any land being omitted from the roll, or the name of the owner or the description or other particulars of the land being erroneously entered thereon.
- (E) Any subdivision of land.

LEASEHOLD PROPERTIES

All land in New Zealand, whether leasehold or freehold, must be valued on the basis of an unencumbered estate in fee-simple. In the case of a leasehold property where the lease contains terms favourable to the lessee the Valuation Department computes the separate interests of lessor and of lessee. The interest of a sub-lessee is computed in the same way as that for a lessee, the lessee's interest being reducible by the amount of the sub-lessee's interest. The aggregate of all such interests must equal the total capital value, unimproved value and value of improvements for the property.

The fair market annual rental is assumed to be 5 per cent. of the total value. Where a lessee pays a rental in excess of 5 per cent. of the total value and the lease does not provide for compensation for improvements he can have no assessable interest in the property. Where the lessee pays a rental of less than 5 per cent. and the lease does not provide for any right of renewal, purchase or compensation for improvements, then the difference capitalized at 5 per cent. for the unexpired term of the lease represents the interest assessable to him as lessee. The lessor's interest is the balance of the total amount of the valuation after deducting the amount of the lessee's interest.

The lessor's interest can, however, be independently computed. It represents the present value of the net rent per annum for the unexpired term of the lease, plus the present values of the reversion to which he is entitled. The requisite factors for computation of interests are:—

- (1) The unexpired term of the lease.
- (2) The annual rent payable under the lease.
- (3) The terms of any right of renewal, purchase or compensation for improvements.

Besides the computation of the total interests of lessor and of lessee there have to be ascertained what respective proportions of these interests are

represented in the unimproved value and in the value of improvements. Excepting in a case where the lessee has a special interest in the land or in the improvements, as the case may be, his total interest must be divided between the unimproved value and value of improvements in the same relative proportion as the total capital value is divided between the unimproved value and the value of improvements.

OBJECTIONS TO VALUES

After the values in a district have been revised a new valuation roll is prepared and the Valuer-General addresses to each person whose name appears thereon a notice setting forth the values at which his property is entered, and naming a date on or before which all objections to the values must be lodged. The omission to give notice does not, however, invalidate the valuation.

The valuation roll is deposited for public inspection at a convenient public office within the district of the local authority, on such days, and at such times during the day, as the Valuer-General publicly notifies by advertisement in a newspaper circulating in the district.

An objection to a valuation must be made in writing by the objector or his authorized agent or attorney who must, *inter alia*, furnish in the form used for the purpose the *objector's estimate* of the selling-value of the property. The Valuer-General may, if he chooses, refuse to entertain any objection received after the date named in the notice.

Objections to value can only be on the ground that the valuation does not represent the true selling-value of the property, as that is the test imposed by the Act. If an objector fails to appear at the Assessment Court and is not represented there by his agent or attorney, his objection will not be heard.

The Valuer-General invariably refers objections to values to the District Valuer to enable him to review valuations before the sitting of the Assessment Court. If after careful consideration by the District Valuer, who is at all times ready and willing to consult with an objector in a difficult case, it is decided that an objection shall be allowed or a reasonable compromise effected, the valuation is altered accordingly. On the other hand, if the Valuer-General is in possession of evidence that the valuer's estimates are fair, but the objector will not accept them, the objection is heard and determined by the Assessment Court.

CONSTITUTION OF THE ASSESSMENT COURT

The Assessment Court consists of three members, of whom one—the President—is a barrister or solicitor of the Supreme Court of New Zealand, appointed by the Governor-General in Council. Of the other two members of the Court, one member is appointed by the Governor-General in Council for each land district under the Land Act 1908, and the other member by the local authority of the district whose roll has been revised, or by two or more local authorities acting in unison, provided the appointee is *not a member or a paid officer of any local authority*. If the local authority fails to appoint an assessor, then the appointment is made by the Governor-General in Council.

The Assessment Court sits at such times and places as are arranged between the President of the Court and the Valuer-General. Due notice of

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the sitting of the Court is given by advertisement in a newspaper circulating in the district of the local authority whose roll has been revised. The Valuer-General is entitled to appear, either personally or by solicitor, or by an officer of the Department, in any Court or in any other proceedings.

Prior to the sitting of the Assessment Court a list of all objections which are to be heard is prepared by the Valuer-General and laid before the Court, and all decisions given by the Court are entered thereon and initialled by the President. If the objection is allowed, the reduction is immediately entered on the valuation roll. If the objection is disallowed, the owner may, within 14 days after the hearing by the Assessment Court, give notice to the Valuer-General that he requires the capital value to be reduced to the value which he (the objector) considers to be the fair selling value as specified in his notice, or the land to be acquired on behalf of His Majesty *at that value*.

If the Valuer-General is of opinion that the Assessment Court has made an unfair reduction in a valuation he may, within 14 days of the hearing, require the owner to consent to what he (the Valuer-General) considers is the fair selling capital value, and, failing such consent being given within 30 days after notice is delivered at his address, he may, with the approval of the Governor-General in Council, acquire the property at that value on behalf of His Majesty.

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