

**BEFORE A HEARING PANEL: WHAKATĀNE DISTRICT COUNCIL AND BAY
OF PLENTY REGIONAL COUNCIL**

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of submissions and further submissions
on Plan Change 1 (Awatarariki
Fanhead, Matatā) to the Operative
Whakatāne District Plan and Plan
Change 17 (Natural Hazards) to the
Bay of Plenty Regional Natural
Resources Plan

**STATEMENT OF EVIDENCE OF JOHN REID
ON BEHALF OF WHAKATĀNE DISTRICT COUNCIL**

PROPERTY VALUATION

15 January 2020

**BROOKFIELDS
LAWYERS**

A M B Green / R H Ashton
Telephone No. 09 979 2172
Fax No. 09 379 3224
Email: green@brookfields.co.nz
P O Box 240
DX CP24134
AUCKLAND

TABLE OF CONTENTS

Section	Page
1. Executive Summary	3
2. Introduction	3
3. Qualifications and Experience	4
4. My Role	6
5. Code of Conduct	9
6. Assessment of the Plan Changes	9
7. Response to submissions	9
8. Conclusion	10

1. EXECUTIVE SUMMARY

- 1.1. I have reviewed the 2019 individual valuations completed by TelferYoung and agree with the process used, including methodology and standards. The individual valuations form part of Mr Shayne Donovan-Grammer's evidence.
- 1.2. As part of the District Council's Awatarariki Acquisition Strategy, there was a process established for a second valuation opinion to be obtained by property owners. Where significant differences between the valuations arose, property owners were able to seek a without prejudice mediation meeting between the valuers, facilitated by Mr Ball of The Property Group. If this failed to reach a consensus valuation, there was a defined process for the matter to be referred to a third valuer appointed by the President of the New Zealand Institute of Valuers. The decision of the third valuer would then become the updated Base Value figure used in a revised acquisition offer to the respective property owner.
- 1.3. To date, one such without prejudice mediation meeting has occurred involving three properties and their two respective valuers. I participated in this meeting as Council's property expert. Although agreed Base Values were not reached, significant progress was made in reducing the size of the differences of the market values between the respective valuers.
- 1.4. In my opinion the entire process was conducted in a robust, technically correct and thorough manner, which resulted in valuations that I believe were fair to all concerned.
- 1.5. I have no specific expertise in planning matters but fully understand the likely property value implications from such plan changes. In all cases these will be negative and lead to substantially lower valuations than those produced in 2019, without the impact of the 2005 event. Accordingly, I believe the valuations used by the District Council to purchase the subject properties are generous in quantum, but fair for their intended purpose.

2. INTRODUCTION

- 2.1. My full name is John Robinson Reid.

2.2. My evidence is given on behalf of the Whakatāne District Council (the **District Council**) in relation to:

- (a) Proposed Plan Change 1 (Awatarariki Fanhead, Matatā) to the Operative Whakatāne District Plan; and
- (b) Proposed Plan Change 17 (Natural Hazards) to the Bay of Plenty Regional Natural Resources Plan (a private plan change request from the District Council)

(together referred to as the **Proposed Plan Changes**).

2.3. My evidence relates to the valuation effects aspects of the Proposed Plan Changes. My evidence will cover:

- (a) Engagement of a property valuation firm to value properties within the High Debris Flow Risk area on the Awatarariki debris fan;
- (b) A peer review of the property valuation processes that were undertaken in 2016 and 2019;
- (c) A peer review of the valuation methodology used;
- (d) I did not form an opinion on the market values arrived at by Council's appointed valuer as that was outside the scope of our engagement; and
- (e) Participation in a valuation mediation.

3. QUALIFICATIONS AND EXPERIENCE

3.1. I hold the position of Registered Valuer.

3.2. My qualifications include:

- (a) Batchelor of Commerce (Valuation and Property Management), Lincoln College (1982);
- (b) Master of Property Studies, Lincoln University 1999;
- (c) Registration as a property valuer since 1985;
- (d) Fellow of the New Zealand Institute of Valuers; and

- (e) Fellow of the Property Institute of New Zealand.
- 3.3. Since 1982 I have been practising continuously as a valuer, primarily in Hawkes' Bay. Up until 1999 I was employed by the New Zealand Government (Valuation Department) and since 1999 I have been in private practice. I currently hold a senior consultant role with Added Valuation Limited.
- 3.4. My professional qualifications are both rural and urban and accordingly my experience includes properties within all sectors. Most of my work has been non-residential based and generally of an investment or business nature. Past assignments include:
- (a) Valuation of substantial assets that are subject to resumption under the State Owned Enterprises Act 1986;
 - (b) Regular valuations for Hastings District Council for insurance and financial reporting (>\$200 million) and similar valuations for Hawke's Bay District Health Board (>\$150 million);
 - (c) Extensive compensation valuations generally on behalf of acquiring authorities;
 - (d) A portfolio acquisition of a rental housing portfolio involving in excess of 1,000 properties and the valuation of the lessors' interests for large portfolios owned by Napier City Council, Hawkes Bay Regional Council and the Fiji Government; and
 - (e) I also provide valuations and property analysis to a diverse range of Government agencies, local bodies and private owners, mostly in Hawkes Bay, but at times in Manawatu, Wanganui, Bay of Plenty, Waikato, Gisborne/East Coast, the Chatham Islands and Central Otago.
- 3.5. I have acted as appointed umpire in valuation disputes and given evidence to various courts and judicial hearings in the role of an expert witness. In 2019 I gave evidence to the Waitangi Tribunal to assist the Crown with its response to a claim for resumption involving hydro-electric assets on the Waikato River. These matters remain unresolved.

- 3.6. I am also retained by the New Zealand Institute of Valuer's as an investigator for complaints against Registered Valuers throughout NZ and have completed nearly 50 investigations since 2007.

4. MY ROLE

- 4.1. In May 2016 I was engaged to provide the following services:

- (a) Assistance with the evaluation of responses to provide property valuations to 45 properties at Matatā. Two complying quotes were received from Bay Valuation Services, Whakatāne and TelferYoung (Tauranga) Ltd (**TelferYoung**). As part of this process the differing methodologies were evaluated using a weighted attribute model. Following my input in this matter, TelferYoung were engaged to complete these tasks;
- (b) I provided a technical review of a draft District Council staff report, *Awatarariki Fanhead: Rates Remission Review*; and
- (c) My major role was the peer review of the draft valuation reports from TelferYoung.

- 4.2. I have some prior involvement with coastal properties located within Whakatāne District but supplemented this with additional research. I completed my own road-side inspection of all of the properties on 7 August 2016 including discussions with one owner. I also made enquiries with local real estate agents active in Matatā and specifically followed up on 8 Clem Elliott Drive. This property had a conditional offer which did not proceed due to finance problems when the intending purchaser could not engage any Registered Valuer in the Bay of Plenty to complete a valuation for mortgage purposes due to specific risk issues.

- 4.3. On 29 July 2016, I received the first draft set of valuations from TelferYoung. I provided a high-level analysis on the value conclusions together with input into the specific reporting and individual property details. Final valuations were issued on 2 November 2016, comprising 15 full detailed valuations reports and 30 summary desktop reports, together with a 22 page summary document.

- 4.4. I reported to the District Council on 17 November 2016 with a summary of the work I had completed. My conclusions were:
- (a) The TelferYoung valuation reports were fit for purpose;
 - (b) The analysis and methodology used was appropriate; and
 - (c) The valuations appeared fair and reasonable for their stated purpose.
- 4.5. During 2019 my involvement has included the development of appropriate methodology and standards for all subsequent valuation instructions involving the 34 affected Matatā properties in private ownership. This has also included the development of a dispute resolution process to apply where owners do not accept the District Council's valuation advice.
- 4.6. The completed 2019 valuations are to be as at the date of inspection and will be used as the Base Value of a purchase offer by the District Council to facilitate a voluntary managed retreat. The details that make up an acquisition offer will be covered in the evidence of Mr Ball and Mr Farrell.
- 4.7. The 2019 valuations have been completed excluding all knowledge and any impact from the 2018 proposed changes to District and Regional Plans and managed retreat proposal.
- 4.8. The 2019 valuations are also to specifically exclude any effects from the May 2005 debris flow event, such as stigma. For the purposes of the valuations, the natural hazard risk is assumed as the same as that which was commonly known by informed buyers and sellers prior to May 2005.
- 4.9. Due to the above two specific instructions (paragraphs 4.7 and 4.8), the 2019 valuations were higher than those completed in 2016 for most properties due to overall market conditions and will be a higher quantum than would occur without these two artificial conditions.
- 4.10. In May 2019, I reviewed the first valuation completed by TelferYoung involving 5 Pioneer Place. This valuation had been completed in accordance with the defined methodology and standards.

- 4.11. During the balance of 2019 I reviewed the remaining TelferYoung produced valuations. In my opinion they follow appropriate professional standards and are soundly reasoned.
- 4.12. All valuations supplied by valuers engaged on behalf of individual property owners were reviewed by myself to ensure full compliance with Workstream 2: Property Valuation Brief, as produced by the District Council, which I also had input into. I reported to the District Council on any identified matters of significance.
- 4.13. During the preparation of the 2019 valuations I became aware of issues with cultural matters that would impact upon properties in this location, particularly those vacant properties. I sought historical data including that held by Heritage New Zealand (Dr Rachel Darmody) and other records from District Council including the Ngāti Hinerangi subdivision and the 1864 Te Kaokaoroa battle. This was shared with TelferYoung and subsequently by the District Council with other valuers engaged on behalf of the owners.
- 4.14. During the peer review process I shared with TelferYoung my broad understanding of the impact from cultural issues including my analysis of past issues concerning sections at Blue Bay, Mahia.
- 4.15. Other valuation specific matters that were raised during the various peer reviews included the coastal erosion maps and their impact on site effluent treatment requirements and the status of the unformed western end of Clem Elliott Drive.
- 4.16. I have not been involved otherwise in the development of the respective plan changes, but I am familiar with the past history of risks associated with the subject area.
- 4.17. In preparing this evidence I have reviewed the following documents and reports:
- (a) District Council report of 28 July 2016: Mitigation of debris flow risk;
 - (b) TPG December 2018: Awatarariki Fanhead acquisition Strategy;

- (c) Tonkin & Taylor July 2015: Supplementary Risk Assessment, Debris Flow Hazard, Matatā, Bay of Plenty;
- (d) McSaveney & Davies November 2015: Peer review: Awatarariki debris-flow-fan risk to life and retreat-zone hazard; and
- (e) MBIE Determination 2016/034 July 2016: regarding refusal to grant building consents.

5. CODE OF CONDUCT

- 5.1. Although this is a Council hearing I confirm that I have read the Code of Conduct for Expert Witnesses contained in the Environment Court Consolidated Practice Note 2014. I also agree to comply with the Code when presenting evidence to the Hearings Panel. I confirm that the issues addressed in this brief of evidence are within my area of expertise, except where I state that I rely upon the evidence of another expert witness. I also confirm that I have not omitted to consider material facts known to me that might alter or detract from the opinions.

6. ASSESSMENT OF THE PLAN CHANGES

- 6.1. I have examined the eight written submissions lodged against Proposed Plan Change 1 and the eight submissions against Proposed Plan Change 17.
- 6.2. In summary, the Proposed Plan Changes will have a material impact upon the value of these developed or improved properties due to the future loss of their existing use rights. However, the undeveloped or vacant properties have no existing use rights and because of the MBIE Determination 2016/034, they already have no development rights and, in reality, have a nominal value only.

7. RESPONSE TO SUBMISSIONS

- 7.1. Awatarariki Residents Incorporated have a view that Proposed Plan Change 1 has a sterilising effect on properties owned by society members and a belief that they will no longer be able to sell their properties. In my opinion this is not correct as they are all still saleable, but at a price that reflects their attributes, including continued exposure to debris-flow risk. While compensation has not been offered, the price

offered by District Council in 2019 assumes that the 2005 event did not occur and that the natural hazard risk does not exist.

- 7.2. I also note that no contribution has been sought from the property owners and that no discount has been made to reflect the absence of real estate agents' fees for the sale of the property.
- 7.3. Accordingly, property owners are being offered a generous price which in all cases exceeds the price that could now reasonably be expected to be paid by any informed purchaser.
- 7.4. Three of the submitters were in support of the plan changes while the others were largely opposed because they thought there were other alternatives or ways to mitigate the risk.

8. CONCLUSION

- 8.1. The valuations produced for the District Council in 2019 are, in my opinion, fair and generous for the purpose they are being used for.
- 8.2. The market valuation for each property is artificially higher because of the adoption of the two special assumptions set out in paragraphs 4.7 and 4.8.

John Reid

15 January 2020