

**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 SHAYNE DONOVAN-GRAMMER
ON BEHALF OF WHAKATĀNE DISTRICT COUNCIL**

PROPERTY VALUATION

15 January 2020

**BROOKFIELDS
LAWYERS**

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1. INTRODUCTION

1.1. My full name is Shayne Rapley Donovan-Grammer.

1.2. 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**).

1.3. My evidence relates to the valuation of properties within the High Debris Flow Policy Risk Area for the purposes of the Awatarariki Managed Retreat Programme which has been undertaken in parallel with the Proposed Plan Changes. I have undertaken valuations of 45 properties within the High Debris Flow Policy Risk Area on the Awatarariki Fanhead in 2016 and 31 properties in 2019. My evidence will overlap with the evidence of Alastair Pratt, John Reid, and Greg Ball.

1.4. My evidence will cover:

- (a) The Property valuation process that was undertaken to value properties within the High Debris Flow Risk area on the Awatarariki debris fan;
- (b) The valuation methodology used;
- (c) The values allocated to each property that informed indicative managed retreat offers; and
- (d) The TelferYoung peer review process.

2. QUALIFICATIONS AND EXPERIENCE

- 2.1. I hold the position of Director of TelferYoung (Tauranga) Limited.
- 2.2. My qualifications include a Bachelor of Business Studies (majoring in Valuation and Property Management). I have been a Registered Valuer since 1999 and am an Associate of the New Zealand Institute of Valuers (ANZIV) and a Senior Member of The Property Institute of New Zealand (SPINZ).
- 2.3. I have worked in the property valuation profession for 24 years. I initially commenced on Rating valuations but for the last 20 years have specialised in Residential and Commercial properties with a sub-specialisation of building insurance.
- 2.4. I have provided valuation consultancy services to the District Council since 2016 when I was involved in assessing the market values of the properties within the High Debris Flow Policy Risk Area as part of the Awatarariki Debris Flow Risk Management Programme.
- 2.5. My evidence does not cover the District Council's Awatarariki, Matatā, Acquisition Strategy, nor its application. These aspects will be addressed in the evidence of Mr Ball and Mr Farrell.

3. MY ROLE

- 3.1. My role in the Awatarariki Debris Flow Risk Management Programme has been to identify the market value of the properties within the High Risk Policy Area in 2016 and again in 2019.

4. CODE OF CONDUCT

- 4.1. 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.

5. SCOPE OF EVIDENCE

- 5.1. In 2016, I was requested to undertake valuations of 45 properties under three valuation scenarios:
 - (a) The pre-event market values (as at 1 May 2005);
 - (b) The market value as at March 2016, ignoring the event; and
 - (c) The market value as at March 2016, but based on the future planning provisions, i.e. recognition of high debris flow risk, existing use rights apply to currently developed properties but no practical right of use for undeveloped properties nor of additions/significant alterations to existing dwellings.
- 5.2. Of the 45 properties I valued in 2016, 11 were in public ownership with the balance being privately owned.
- 5.3. In 2018, in response to a request from the District Council, I estimated the percentage change to the Matatā property market between July 2016 and October 2018. My estimate of the degree of market movement is recorded in my report *'Advisory Report, Various Properties, Matatā, Whakatāne District Council'* dated 30 October 2018. I concluded that the residential property market at Matatā had increased in value by 12% over this period.
- 5.4. In 2019, I undertook market valuations of 31 privately owned properties within the High Risk Policy Area which included a site visit to each property. The basis of this valuation was to not discount values for the debris flow event of May 2005 or the debris flow risk from the Awatarariki Stream catchment and any consequential regulatory constraints, including the proposed Resource Management Act plan changes or managed retreat programme.
- 5.5. The valuations were 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.
- 5.6. The IVS 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. \$/m²). 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.

5.7. In accordance with the Council's Acquisition Strategy for the Awatarariki Fanhead, the Market Approach was used.

5.8. 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.”

5.9. 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 he/she would be willing to bid.

5.10. I note 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.

5.11. My valuations of the Awatarariki fanhead properties were generally carried out in accordance with the standard practices used at all TelferYoung offices throughout New Zealand with the exception that, for this project, my valuations underwent an internal peer review by Mr Pratt.

- 5.12. In addition to Mr Pratt's peer review, each valuation report underwent a second peer review before it was finalised. The second peer review was undertaken by Mr Reid, an independent valuation expert with no relationship to TelferYoung.
- 5.13. In my opinion, the valuation process put in place by the Council for the Awatarariki Fanhead property valuations has been a very robust process.
- 5.14. Property owners are able to contest my valuations through a mediation process and, if unsatisfied with that outcome, an arbitration process. At the time of preparing this evidence, three property owners had requested a mediation due to the difference between my market value and the market value arrived at by valuers appointed by them. At the conclusion of the three mediations, both myself and each of the other valuers had adjusted our market values to take into account the various merits of each other's positions, but consensus on a common market value was not achieved.
- 5.15. I am not aware of whether or not the property owners who requested a mediation accepted the outcome of the mediation process.
- 5.16. In preparing this evidence I have reviewed the following documents and reports:
- (a) Awatarariki Fanhead Matatā, Workstream 2 Property Valuation Brief, Whakatāne District Council, 5 June 2019, and updated version 15 August 2019;
 - (b) Advisory Report, Various Reports, Matatā 2018, TelferYoung (Tauranga) Ltd Client Report;
 - (c) 2016 market valuation reports (desktop assessments for the vacant land) for 45 properties on the Awatarariki Fanhead; and
 - (d) 2019 market valuation reports for 31 properties on the Awatarariki Fanhead.

6. CONCLUSION

- 6.1. The valuation methodology used by TelferYoung for the District Council in its Awatarariki Debris Flow Risk Management Programme is robust and follows generally accepted principles for property valuations in New Zealand.
- 6.2. The valuation processes put in place by the District Council is a robust methodical system with a strong emphasis on quality assurance and fairness for owners of affected properties.
- 6.3. The District Council has incorporated the results of the valuation processes into a wider decision making framework of the Awatarariki Managed Retreat Programme. This is an appropriate use of the results in this context.

Shayne Donovan-Grammer

15 January 2020