

Copyright © 1999 NZIF. All rights reserved.

Chapter B6

Standard For Declaration Of Value Of Land

PURPOSE

The purpose of this standard is to ensure that the land valuation used is adequately described and qualified to allow a user to judge its applicability for the purpose of the forest description.

STANDARD B6.1 VALUE OF LAND

Any valuation contained within a forest description shall be supported by:

- Source of the value of the land and the value of the improvements and the date at which that valuation was assessed.
- Confirmation that the legal description, area of land and Certificate of Title reference contained within the valuation are identical to those contained within the forest description.
- Confirmation that the valuation of land and improvements is appropriate for the purpose for which the forest description is being prepared.
- A statement as to what constitutes the value of the land and the value of the improvements.
- A full statement of the relationship between the land value as originally sourced and the unit values of the land contained in the forest description.



Guidance Notes For Declaration Of Value Of Land

INTRODUCTION

Valuations of properties can be obtained from a variety of sources, i.e.

- Registered Valuers.
- Special Government Valuations.
- Valuations assessed for local authority rating purposes.

Valuations can also be assessed under specific terms as defined within various pieces of legislation and these valuations can produce different results.

Valuations can also specifically assess a lessor's (land owner) interest or a lessee's (tenant) interest.

It should be noted that changes to various pieces of legislation over time can also result in different valuation results.

Care must be taken to ensure that the valuation used is appropriate for the purpose for which it is being used in the forest description and valuation.

The most common statutory valuations that may be used by forest valuers are those prepared under the terms and conditions of:

- Valuation of Land Act 1951 (and its subsequent amendments). This act has since been repealed and replaced by:
- Rating Valuations Act 1998.

DEFINITIONS

It should be noted that the Valuation of Land Act 1951 was substantially amended in 1970. In particular, the term UNIMPROVED VALUE was removed and the term LAND VALUE was introduced. As a result of these amendments, the definition of the value of IMPROVEMENTS was also changed. The definitions of the terms Land Value and Improvements were slightly modified in the Rating Valuations Act 1998.

The noting of these amendments is important as many of the leases of land in New Zealand use the terms and definitions applicable at the time of commencement of the lease as the basis for determining rents and, in some cases, compensation for improvements affected by the lessee.

VALUE OF LAND

**UNIMPROVED
VALUE
(VALUATION OF
LAND ACT 1951)**

“Unimproved value” of any land means the sum which the owners estate or interest therein, if unencumbered by any mortgage or other charge thereon, might be expected to realise 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 had been made on the said land.

This definition was contained in the Valuation of Land Act 1951 prior to the 1970 amendments and at that time, improvements on the land meant all work 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 land and the benefit thereof is unexhausted at the time of valuation.

In simple terms, unimproved value related to the value of the land in its original undeveloped state, whereas in the case of assessment of Land Value, that value will include the development of the land from its original undeveloped state to the state it is in at the date of valuation, eg. land in pasture.

**LAND VALUE
(RATING
VALUATIONS ACT
1998)**

“Land Value”, in relation to any land, and subject to sections 20 and 21, means the sum that the owner’s estate or interest in the land, if unencumbered by any mortgage or other charge, might be expected to realise at the time of valuation if:

- (a) Offered for sale on such reasonable terms and conditions as a bona fide seller might be expected to impose; and
- (b) No improvements had been made on the land.

**IMPROVEMENTS
(RATING
VALUATIONS ACT
1998)**

“Improvements”, in relation to any 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 of the land, so far as the effect of the work done or the material used is to increase the value of the land and its benefit is not exhausted at the time of valuation but does not include -

- (a) Work done or material used, whether or not by the owner or occupier of the land in -
 - i) The provision of roads or streets or in the provision of water, drainage or other amenities in connection with the subdivision of the land for building purposes.

- ii) The draining, excavation, filling or reclamation of the land or the making of retaining walls or other related works.
 - iii) The grading or levelling of the land or the removal of rocks, stone, sand or soil.
 - iv) The removal or destruction of vegetation or the effecting of any change in the nature or character of the vegetation.
 - v) The alteration of the soil fertility or of the structure of the soil.
 - vi) The arresting or elimination of erosion or flooding.
- (b) Except in the case of land owned or occupied by the Crown or by a statutory public body, work done or material used on or for the benefit of the land by the Crown or any statutory body, except to the extent that it is being paid for by way of direct contribution.

In the above terminology improvements can be on or for the benefit of the land and by way of example, a property may only enjoy access by way of a bridge and track on land not contained within the title but which is only of use to the particular parcel of land.

The final paragraph in the definition of improvements refers to special rateable areas where the land owner by way of a special payment through rates, contributes to an improvement made by the Crown or a statutory body and which has direct benefit to the subject parcel land but the improvement itself may not necessarily be on the land.

For example, flood protection works carried out by a catchment board or regional council with the construction of stop banks which, whilst they are not on the subject land, provide protection from flooding.

Roading forms an important part of forestry holdings and it should be noted that up until 1970, all roads and their formation, plus all forest tracks, were regarded by the Valuer General as improvements and did not form part of the land. Since the 1970 amendment to the Valuation of Land Act 1951, the Act would appear to direct Valuers to treat all such road formation and tracks as part of the land value. However, the practice by the Valuer General and staff has been to treat roads and road abutments as an improvement and forestry planting tracks as part of land value.

Item (a) (v) also includes deep ripping, moulding, draining and cultivation which commonly occurs in the preparation of land for the planting of forestry.

VALUE OF LAND

**USE OF
STATUTORY
VALUATIONS**

Care must be taken when using statutory valuations to establish the value of the land under a forest description and valuation.

Valuations made under the provisions of the Valuation of Land Act 1951 and the Rating Valuations Act 1998 are assessed on the assumption that the land being valued has legal access. This is not always the case, as some areas of land do not have legal access and other areas of land that do have legal access have very difficult physical access different from the legal frontage.

“Government Valuations” assess all land on a freehold basis and make no allowance for any leases registered over the land. Such leases may have an impact on valuations being used to determine market values or various interests in land being valued for forestry purposes.

It should also be noted that statutory valuations make no allowance for forestry rights, multiple ownership, Maori tenure or covenants limiting development of the land, eg. Queen Elizabeth II Trust Conservation Agreements.

**VALUATION OF
LAND EXCLUDES
FOREST TREES**

Valuations assessed for rating purposes under the Valuation of Land Act 1951 did not include the value of any forest trees growing on the land.

Prior to an amendment to that Act in 1991, the Act indicated that the value of forest trees should be included in Government Valuations however, for convenience sake, the Valuer General excluded such values when assessing valuations for rating purposes.

The amendment in 1991 formally ratified the practice of the past and specifically excluded the value of the forest trees.

The Rating Valuations Act 1998, Section 20, specifically excludes the valuation of forest trees from valuations being assessed for rating purposes.

**FOREST
VALUATION AND
LAND VALUE
RELATIONSHIP**

Whilst the definition of Land Value in the above-mentioned legislation is reasonably specific, confusion has existed in the minds of many persons involved in the assessment and use of Land Value as to what condition the land is assumed to be in when valuing land on which a forest is planted.

In a recent decision, the Court of Appeal in “Tahorakuri” - Tasman Forestry vs the Valuer General, determined that land under commercial forest should be considered to be partly in cutover forest rather than hypothetically as if the trees do not exist.

However in a more recent case, re "Eyrewell" - Carter Holt Harvey Forests Limited vs Valuer General, the High Court did not accept that the envisaged state of the land should be cutover forest or slash. Rather it said that the land should be envisaged as in its current condition as land perhaps more difficult to plant than land in pasture.

It is important therefore to ensure that any valuation used for a forest valuation is carefully analysed to ensure that it meets the standards set down by the recent Court decision.

MAORI LAND

In a recent decision, the Court of Appeal in Mangatu Incorporation vs the Valuer General, the Court found by virtue of the provisions of the Te Ture Whenua Maori Land Act 1993, the valuation of Maori land should be subject to a deduction from freehold market value to recognise multi Maori ownership.

Care must be taken therefore to ensure that due provision is made to recognise this decision when utilising valuations prepared for Maori land.

MISCELLANEOUS LEGISLATION

Valuations can be assessed under a range of legislation, each imposing its own unique terms and conditions for the assessment of value.

The most common pieces of legislation under which valuations are prepared and which may be used in forestry valuations are the Valuation of Land Act 1951 and the Rating Valuations Act 1998.

Other fairly common pieces of legislation that can impact on the methodology of assessing values include:

- Crown Forest Assets Act 1989
- The Land Act 1948
- Te Ture Whenua Act 1993
- Maori Affairs Act 1953 (repealed and replaced by Te Ture Whenua Maori Land Act 1993)
- West Coast Settlement Reserves Act 1892

VALUE OF LAND