

## **Airport Services (Land Valuation) Input Methodologies Amendments Determination 2016**

**[2016] NZCC 3**

Determination made under Part 4 of the Commerce Act 1986

**The Commission:**

Dr M Berry

S Begg

J Walker

Dr S Gale

**Date of decision:**

24 February 2016

## Associated documents

Publication date	Determination number	Determination title
24 February 2016	ISBN 978-1-869454-94-4	Input methodologies review – Amendments to input methodologies for airports land valuation – Final reasons paper for the airports fast-track review
10 November 2015	ISSN 1178-2560	<a href="#">Input methodologies review – fast track review of input methodologies for the application of airport land valuation methodology</a>
10 November 2015	n/a	<a href="#">EY supporting paper for amendments to Schedule A for airports fast track review of IMs – November 2015</a>
3 July 2015	n/a	<a href="#">Input methodologies review – process paper update on fast track amendments</a>
3 July 2015	n/a	<a href="#">Amended notice of intention – Input methodologies review</a>
16 June 2015	ISBN:978-1-869454-55-5	<a href="#">Input methodologies review – invitation to contribute to problem definition</a>
30 March 2015	ISBN: 978-1-869454-38-8	<a href="#">Commerce Act (Specified Airport Services Input Methodologies) Determination 2010, consolidating all amendments as of 14 November 2014</a>
1 March 2012	ISBN: 978-1-869451-94-3	<a href="#">Airport Information Disclosure Determination 2010, consolidating all amendments as of 1 March 2012</a>
22 December 2010	ISBN: 978-1-869451-30-1	<a href="#">Input Methodologies (Airport Services) Reasons Paper</a>

Commerce Commission  
Wellington, New Zealand

**AIRPORT SERVICES (LAND VALUATION) INPUT METHODOLOGIES  
AMENDMENTS DETERMINATION 2016**

**1. SHORT TITLE .....1**  
**2. DETERMINATION AMENDED .....1**  
**3. COMMENCEMENT .....1**  
**4. INTERPRETATION.....1**  
**5. AMENDMENTS.....2**  
**SCHEDULE A – AIRPORT LAND VALUATION METHODOLOGY.....3**

[BLANK PAGE]

Pursuant to Part 4 of the Commerce Act 1986, the Commerce Commission makes the following determination:

**1. Short Title**

This determination is the Airport Services (Land Valuation) Input Methodologies Amendments Determination 2016.

**2. Determination Amended**

This determination amends the Commerce Act (Specified Airport Services Input Methodologies) Determination 2010 (Decision No. 709, 22 December 2010).

**3. Commencement**

This determination comes into force on the date of notice in the New Zealand Gazette.

**4. Interpretation**

4.1 Unless the context otherwise requires:

- (a) terms used in this determination that are defined in the **Act** but not in this determination have the same meanings as in the **Act**;
- (b) terms used in this determination that are defined in the **Airport IM Determination** but not in this determination have the same meanings as in the **Airport IM Determination**;
- (c) any reference to a period of time is interpreted in accordance with section 35 of the Interpretation Act 1999; and
- (d) a word which denotes the singular also denotes the plural and vice versa.

4.2 In this determination, unless the context otherwise requires, –

**Airport IM Determination** means the Commerce Act (Specified Airport Services Input Methodologies) Determination 2010 (Decision No. 709, 22 December 2010).

## 5. Amendments

5.1 Clause 1.1.4(2) of the **Airport IM Determination** is amended by:

- (a) replacing the definition of “highest and best alternative use” with the following:

“**highest and best alternative use** has the meaning given in Schedule A”;

- (b) replacing the definition of “MVAU” with the following:

“**MVAU** has the meaning given in Schedule A”;

- (c) replacing the definition of “valuation and property standards” with the following:

“**valuation and property standards** has the meaning given in Schedule A”;

- (d) deleting the definition of “valuation standard”;

- (e) adding the following definition in its logical alphabetical order:

“**special assumption** has the meaning given in Schedule A”.

5.2 Schedule A of the **Airport IM Determination** is replaced with the revised Schedule A attached as Schedule A to this amendment.

Commissioner Jill Walker

Dated at Wellington this 24<sup>th</sup> day of February 2016.

Commerce Commission

## SCHEDULE A – AIRPORT LAND VALUATION METHODOLOGY

### A1 Interpretation

- (1) This schedule sets out the mandatory requirements for a **valuer** to apply when undertaking a valuation of **land** held by an **airport** for the purposes of this determination.
- (2) In this schedule, words or phrases in bold type that are not otherwise defined in clause 1.4(2) of this determination bear the following meanings:

**highest and best alternative use** means the most probable use of **land**, which use-

- (a) is not the **supply** of **specified airport services**;
- (b) is not a use to the extent that it is influenced by the **supply** of **specified airport services**;
- (c) is physically possible;
- (d) is appropriately justified;
- (e) is legally permissible;
- (f) is financially feasible; and
- (g) results in the highest estimated value of the **land** in question;

**land** has the meaning given in clause 1.4(2);

**MVAU** means the market value of **land** in its **highest and best alternative use** or uses determined in accordance with this schedule;

**special assumption** has the same meaning as defined in IVS 102 – Implementation;

**valuation and property standards** means the following material which is hereby incorporated by reference, subject to any amendments to, or replacement of, the material in accordance with Schedule 5 of the **Act**:

IVS 101 – Scope of Work;

IVS 102 – Implementation;

IVS 103 – Reporting;

ANZVGN 1 – Valuation Procedures Real Property;

**valuer** has the meaning given in clause 1.4(2).

## A2 Professional valuation framework

- (1) An **MVAU** valuation must be undertaken by a **valuer**.
- (2) The **valuer** must undertake an **MVAU** valuation in accordance with the **valuation and property standards**, subject to any modifications, additions, or variations to those standards specified in this Schedule.
- (3) **Valuation and property standards** with 'mandatory practice' status must be adhered to by the **valuer**.
- (4) **Valuation and property standards** with 'best/good practice' status must be adhered to by the **valuer** when reasonably practicable.
- (5) The **valuer** must -
  - (a) base the estimate of value on data and circumstances appropriate to the valuation;
  - (b) use appropriate methods and techniques for the estimate of value;
  - (c) develop the **MVAU** valuation with sufficient information to fully support the analysis and conclusions; and
  - (d) obtain the advice of a suitably qualified independent expert on any material assumption of the **MVAU** valuation, including any **special assumption**, on which the **valuer** is not suitably experienced or qualified to provide an expert opinion.

## A3 Valuation requirements

- (1) In undertaking an **MVAU** valuation, the **valuer** must make the **special assumptions** set out in clause A4.
- (2) The **valuer** must include in the **MVAU** valuation the likelihood, timing, and costs (both direct and indirect if any) of moving from the **special assumption** for **land** zoning to the zoning required for the development of the **land** in its **highest and best alternative use**.
- (3) The **valuer** must disclose in the valuation report how they determined the **special assumption** for **land** zoning and the likelihood, timing, and costs (both direct and indirect if any) of moving from the **special assumption** for **land** zoning to the zoning required for the development of the **land** in its **highest and best alternative use**.
- (4) The **valuer** may rely on evidence of sales of **land** as comparable market-based data only to the extent the sales were unaffected by the supply of **specified airport services**.
- (5) The **valuer** may rely on evidence of sales of **land** to, or by, the **airport** only to the extent the transactions in question:
  - (a) occurred on an arm's-length basis; and
  - (b) the price and other terms of the sales were unaffected by the supply of **specified airport services**.



- (6) The **valuer** must assume an orderly sale of the aggregated **land** (in economically manageable parcels) over such time as would likely be needed to achieve the **highest and best alternative use** of the **land**.
- (7) The **valuer** must give consideration to the physical characteristics of the **land** (including contiguity), existing title and easement arrangements, zoning, any other restrictions or impediments, and adjoining **land** uses, when determining the **highest and best alternative use**, so as to maximise the value in the **land's** alternate use and market value.
- (8) The **valuer** must disclose all material assumptions and **special assumptions** made in undertaking the **MVAU** valuation in the valuation report.
- (9) The **valuer** must include or attach to the valuation report any expert opinion obtained by the **valuer** in accordance with subclause A2(5)(d).

#### **A4 Special assumptions**

- (1) The **land** must be valued as an aggregated parcel (which may be made up of multiple titles) of a size equal to that attributed to the **supply** of **specified airport services**.
- (2) The **land** must be assumed to be notionally vacant and clear of **airport**-related improvements.
- (3) The **land** zoning must be assumed to be the zoning that is most likely to apply if the **airport** did not exist.
- (4) The **land** zoning most likely to apply if the **airport** did not exist must be determined by having regard to:
  - (a) the current zoning (other than zoning for aeronautical services or zoning influenced by the presence of the **airport**);
  - (b) the existing zoning of the **land** surrounding the **airport**;
  - (c) the zoning that applied prior to the land being zoned for aeronautical services; and
  - (d) any other relevant matters including:
    - (i) the physical features of the **land**;
    - (ii) local authority planning objectives and policies, including consistency with regional policy directions;
    - (iii) likely permissibility under the Resource Management Act 1991 and any other statutory or regulatory requirements or considerations.
- (5) Relevant development costs, including construction costs, holding costs, and the developer's or investor's profit and risk, must be included in the **MVAU** valuation.
- (6) The costs of converting the land to an **airport** must be excluded from the **MVAU** valuation, including:

- (a) costs of resource consents for **airport** development;
  - (b) holding costs during **airport** development;
  - (c) costs of earthworks necessary for the formation of the level **airport** platform;
  - (d) costs of any **land** reclamation or dredging;
  - (e) costs of sea-wall or other coastal protection systems;
  - (f) cost of **airport**-specific drainage systems, including retention ponds;
  - (g) professional fees, including those for surveyors, engineers, and planners, with respect to the above-mentioned activities; and
  - (h) any other costs incurred in the conversion of **land** to provide aeronautical services.
- (7) Costs for remediation or demolition expenditure must be excluded from the **MVAU** valuation, including the costs of-
- (a) demolition, crushing and removal of concreted and sealed surfaces including runways, taxiways, aprons, roading, kerbs, and channels;
  - (b) demolition and debris removal of **airport**-specific buildings and structures including terminals, hangars, fire rescue buildings, control towers, and fuel depots;
  - (c) removing above- and below-ground utilities, including pipelines and cabling required for **airport**-specific activities like fuel pipelines, tanks, runway drainage and lighting, and approach lighting; and
  - (d) clean-up of potential site contamination, including contamination occurring through aircraft and maintenance operations by spills of aircraft and vehicle fuels, paints/solvents, firefighting foams, underground and above ground storage tanks, radioactive materials, asbestos, PCBs, pesticides and herbicides or battery acids, or through the operation of waste disposal facilities, vehicle storage, dredging operations, building construction and underground and above ground utility lines/pipes.

#### **A5 MVAU valuation steps**

In undertaking an **MVAU** valuation the **valuer** must-

- (a) establish and compile a schedule of the **land** parcels that are to be included in the **MVAU** valuation;
- (b) confirm ownership, tenure and aggregated **land** area;
- (c) determine the **special assumption** for **land** zoning;
- (d) consider and determine the **highest and best alternative use**;
- (e) determine the zoning of the **land** for the **highest and best alternative use**, and the likelihood, timing, and cost (both direct and indirect, if any) of moving from the **special assumption** for **land** zoning to the

zoning required for the development of the **land** in its **highest and best alternative use**;

- (f) consider resource management (including reserve contribution) requirements, amenities in the area, and access to services;
- (g) for notional subdivision / residual value approaches-
  - (i) prepare a **land** development plan (in conjunction with a planner, where considered necessary by the **valuer**), which must demonstrate the **valuer's** view of the likely **highest and best alternative use** development of the **land**, and provide evidence for the assessment of inputs into the notional subdivision / residual value approaches;
  - (ii) determine market demand for the proposed development and the time period for the sale or realisation of the developed **land** in a notional subdivision or development, including, where material to the valuation, economic analysis to support the market demand and the time period for the sale or realisation of the developed **land**;
  - (iii) determine the direct costs of developing the **land**; and
  - (iv) determine any indirect costs of developing the **land**, including the developer's holding costs or **local authority** rates;
- (h) undertake market research and obtain comparable sales information to support the alternate **land** uses selected including both block sales and developed **land** sales if both a direct sales comparison and notional subdivision / residual value approaches are to be used;
- (i) apply suitable adjusted market evidence to **airport land** as required, and taking account of whether a direct sales comparison or notional subdivision / residual value approaches are to be used;
- (j) reconcile the results of the valuation approaches used and determine a final value for the **highest and best alternative use**; and
- (k) prepare a valuation report, incorporating all disclosures required by the relevant **valuation standards** and this Schedule.