

29 June 2022

Hon Megan Woods
Minister for Building and Construction
Parliament Buildings

Kia ora Minister Woods

Impacts of earthquake-prone legislation compliance obligations on apartment owners

Congratulations on your appointment as the Minister for Building and Construction. Your appointment to this important portfolio will help reinforce the interdependencies between the building and construction sector, and good quality, safe and affordable housing.

Inner City Wellington (ICW) met with the previous Minister, Hon Poto Williams, on two occasions to discuss earthquake-prone legislation compliance obligations on apartment owners. The most recent meeting on 4 April 2022 was attended by officials and Hon Grant Robertson (Wellington Central MP). At this meeting the previous Minister announced the changes from the review of the Residential Earthquake-prone Buildings Financial Assistance Scheme. We advised the Minister of the continued issues with the requirements. The Minister undertook to meet again to discuss these.

The following are the key matters we are seeking discussion with you on:

1. **Request for grants for apartment owners to support compliance with the earthquake-prone legislation:**
 - We have attached the letter (22 February 2022) from 51 people seeking grants to support strengthening. The letter and its appendices explain why:
 - The requirement to strengthen residential earthquake-prone buildings is neither reasonable nor affordable for homeowners.
 - The current financial assistance scheme does not address all the issues needed to make the earthquake-prone building provisions reasonable and affordable.
 - Providing targeted grants (in addition to the loan scheme) will be the best mechanism to address these issues.
 - The Minister's response of 31 March 2022 (received on 4 April 2022) did not address the detailed analysis we had provided in support of our request. At our meeting, the previous Minister advised she would like to discuss our letter further.
2. **The review of the Residential Earthquake-prone Buildings Financial Assistance Scheme (Scheme).** This was also a focus of our 25 April letter. In the letter we noted that the recent changes to the scheme were positive but there remain outstanding issues. Many issues are recognised by Ministers and officials, such as the need for access to the accommodation supplement for owners who need assistance. However, we also raised additional points that need addressing such as the definition of "insurable level" and the requirement for changes to company share ownership to be eligible for financial assistance.

3. **Addressing other barriers as part of the earthquake-prone building work programmes is critical to enable projects to progress:**

- *Addressing the significant barriers to strengthening identified in the review must be a priority.* The proactively released Cabinet paper on the review of the Scheme indicates there may be no further progress on the longer-term solutions until 2024, following the implementation of the Scheme proposals outlined in the Cabinet paper.

The Government cannot wait another 18 months before action is taken to address the wider barriers given the deadlines and financial and wellbeing impacts that owners have faced since notices have been issued in 2008. The legislation is having significant effects on homeowners. For example:

- The report on the review of the Scheme reflected the major challenges facing owners, including that some buildings may not be economically viable to remediate through seismic strengthening even to the minimum threshold.
- The report also advised that owners were progressing strengthening and rarely came to a decision to sell their building 'as is' or demolish it. However, this is not the case. At least four buildings in the Wellington area have done this, at a sale price for each owner that was below the rateable value when the housing market was 'hot'.
- *The need for certainty for owners who have or are complying with the legislation that they will not be affected by future changes to the Building Code.* As outlined in our 25 April letter, the previous Minister provided a verbal assurance that owners who have remediated their buildings will not need to do so again. We asked for clarification of this assurance in writing to owners, territorial authorities and engineers. We are aware that the outcome of the review of the National Seismic Hazard Model will flow into an updated Building Code (B1 Structural Performance Standards) and that MBIE is progressing work to identify the possible implications for existing buildings. The lack of certainty for owners makes it difficult to make decisions on options to progress strengthening.

We realise you will have many demands on your time as you pick up the new portfolio. Homeowners in earthquake-prone apartment buildings are facing a compliance burden that is not reasonable or affordable. We therefore believe that addressing the issues with the earthquake-prone building legislation should be a priority for you.

We were advised that our letter of 25 April 2022 would be responded to and a meeting would be scheduled in due course. This has yet to occur.

We look forward to your response to the issues outlined and to any opportunity to meet with you in the near future.

Nga mihi

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Cc: Grant Robertson, Wellington Central MP