



INNER-CITY

WELLINGTON Te Reo Pokapū o Pōneke

VOICE OF TE ARO AND WELLINGTON CENTRAL

ICW Update: Earthquake-prone buildings advocacy 29 August 2022

This update is provided by Geraldine Murphy
ICW's spokesperson on Seismic Matters.

RNZ Nights [Residential Apartment Owners and Earthquake-prone Legislation](#)

(22 Aug 2022)

Geraldine Murphy and Mel Johnston, Body Corporate Chair in an earthquake-prone building talked about the impacts on this group of home owners of the legislation.

[Request for grants for apartment owners in residential earthquake-prone buildings](#)

this document sets out the rationale in support of the proposal that was sent to the Minister for Building and Construction and the Minister of Finance.

- The initial response (30 March 2022) by the previous Minister said that the Government's focus is on the Financial Assistance Scheme. However, she did not respond to the material provided in our letter in support of our position that the expectations imposed by the legislation are not reasonable or affordable for apartment owners. Since then Minister Woods has become the responsible minister and has provided a similar response. (Note: the letters are available on the [ICW website under Resources 2022.](#))

- MBIE is doing further work on options for providing financial assistance for other costs associated with the remediation planning and storage and accommodation costs where owners need to vacate. This will be reported back later in 2022.

Financial Assistance Scheme

Positive changes to the criteria were implemented on 18 May 2022 and outlined in earlier newsletters. However, there are still outstanding matters which are barriers for eligible owners:

- **Continued access to the Accommodation Supplement:** if an owners obtained a loan under the Financial Assistance Scheme, they would lose the Accommodation Supplement. This means the owners are stuck as the Supplement is needed to fund their current living costs. This is still being worked on by MBIE but we have no timeframes for an outcome.
- **Insurable level:** while the changes to the criteria meant the Scheme would lend to an owner where the building did not have EQ insurance, there is a requirement that the owner who is applying for a loan demonstrate the ability to obtain EQ insurance for the building following the completion of the strengthening. We consider this will be difficult to achieve for owners and the body corporate/management committees, and question whether insurance companies will provide these commitments (eg, if the work has not started).
- **Company share ownership:** following further information provided to MBIE, the Government is still looking into the option of loaning against unregistered occupancy licences, but no timeframe is available.

Implications of future changes to Building Code for owners who have or are in the process of complying:

- The Minister has stated that *in the short term*, owners who have strengthened would not be required to re-strengthen if the Building Code is updated, and she has no plans to change the current reference to the building standards in place at 1 July 2017.

We asked for this to be clarified to include owners who have provided further information that confirms the building is not earthquake-prone and been removed from the Register of EQP Buildings.

We also asked that the Minister communicate this to sector, but the letter is silent on both. 'In the short term' provides limited/no certainty. Mayor Foster met with the MBIE Manager of Building Performance, and his feedback from the meeting was that 'Buildings that have already been assessed will not need to be reassessed'.

- There is a clear difference between the two statements that needs to be addressed and communicated publicly and to owners.

Five-year review of the earthquake-prone building system policy due in 2022 is not progressing

- MBIE advised that the 5-year review, which was set down in the Regulatory Impact Statement (RIS) and due in 2022, is not progressing as it is moving into a 'consolidation phase' and other evaluation and reports are sufficient at this time. This is a concern for the following reasons:
 - The objective of the policy is that the strengthening of existing buildings to promote life safety is in proportionate balance to costs. MBIE is not collecting the data set out in the RIS that would enable the policy outcomes to be measured. There is also a question of whether it can be measured at all as MBIE has no way of proving that a strengthened building would have caused deaths (ie, collapsed) in an earthquake.
 - The interim evaluation published mid-2021, noted that it was too early to report outcomes, but found that 'there is some evidence of potentially poor outcomes for some groups'. The report also stated that owners were choosing to strengthen to a higher %NBS, rather than the minimum in legislation, and that was why the costs were so high. The Government's policy intent was to provide information to the public so the market would drive up the %NBS: owners are in a no-win situation. ICW and owners have provided data and information to MBIE and Ministers of the poor outcomes being experienced under the current policy, demonstrating that the policy is not proportionate.

- The review of the non-financial barriers undertaken last year identified that some buildings were not economically viable to strengthen, even to the minimum threshold, but that owners were not inclined to consider demolition or sale of the building. Being put in a position of having no choice but to sell because of the costs and risk is not proportionate. (ICW note: apartments in at least four buildings have been sold since 2019 to developers or a single buyer). The review recommended that MBIE do further work on 'options for supporting a range of remediation outcomes for buildings'; the timeframe is not clear, but it seems that this would be reported back in 2024.
- The forthcoming review of the Building Code B1 Structure Clause, including taking into account the review of the National Seismic Hazard Model, is likely to make the test of whether a building is earthquake-prone or not tougher. ICW expects that a Regulatory Impact Statement (ie, who pays, who is impacted, and who benefits) will be required to inform that change. A review of the current policy is needed to inform the impacts of a revised (and likely tougher) Structure clause.

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