

Hon Dr Megan Woods

MP for Wigram

Minister of Housing

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Geraldine Murphy
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Dear Geraldine

Thank you for your letter dated 25 April 2022, to Hon Poto Williams regarding support for residential earthquake-prone building owners. Your letter was transferred to me for response as the issues you raise fall under my portfolio of responsibilities as the newly appointed Minister for Building and Construction.

I appreciate that you have used your networks to promote the changes made to the Residential Earthquake-prone Building Financial Assistance Scheme (Financial Assistance Scheme). I agree that the recent changes are an important step towards ensuring REPB owners facing hardship can make their buildings safer in the event of an earthquake.

In response to the points you have raised about the Financial Assistance Scheme, I can comment as follows:

Insurable level Under the new settings a loan may be granted if a building does not have full insurance but has fire cover and strengthening will bring the building to an insurable level. A building that does not currently have seismic insurance would be required to demonstrate an ability to obtain insurance following their retrofit to be eligible for the loan. As such, what is considered an 'insurable level' is determined by private insurance providers rather than the Financial Assistance Scheme settings.

In the scenario that a building is destroyed or substantially damaged by an earthquake during the remediation process, negative equity will not be pursued. However, building owners need to assess what financial risk they are comfortable with when planning remediation of an under-insured building.

Company share ownership The Financial Assistance Scheme does accept applications from company share ownership structures with registered licences, meaning that unit owners are not required to convert to unit title structures. The 12-month review found that unregistered occupancy licenses in company shares structures would not provide sufficient security for Financial Assistance Scheme loans. However, information recently provided by your members to the Ministry of Business, Innovation and Employment (MBIE) officials indicates there may be options for financial lenders to mitigate security risks associated with unregistered occupancy licences. MBIE officials are looking into this further.

In your letter you have also raised points regarding wider barriers related to the earthquake-prone building system. To these points, I respond as follows:

Grants The 12-month review of the Financial Assistance Scheme recommended that further work is done to identify options for providing financial assistance for costs in the remediation planning process, such as engineering advice and technical reports, as well as for individual costs during the remediation process, such as storage and accommodation. MBIE will report back to me with advice on these options later this year.

Cabinet has considered grants for remediation work and decided that government financial assistance for strengthening costs would be in the form of loans to those unit owners facing hardship. My position is consistent with Hon Poto Williams' previous correspondence to Inner-City Wellington on this issue.

Certainty MBIE is considering how the building regulatory system, including the earthquake-prone building system, should respond to new science and information about risks, such as the updated National Seismic Hazard Model. Any changes to building regulation would be well-planned, and brought in over time in a considered manner, in consultation with New Zealanders.

As discussed at our meeting, it is my intention that, in the short-term, owners who have strengthened their buildings would not be required to re-strengthen if the Building Code is updated. The existing earthquake-prone building system regulations reference the 2017 understanding of seismic risk, and I have no plans to review this aspect of the regulations.

Deadlines An objective of the new earthquake-prone building system is to provide a more consistent approach to managing earthquake-prone buildings across the country. Under the Building Act 2004, territorial authorities have been empowered to take enforcement action in relation to earthquake-prone building remediation requirements. MBIE will continue to work with territorial authorities to monitor their regulatory obligations to administer the earthquake-prone building system

I acknowledge the issue of capacity may impact the ability of residential earthquake-prone building owners to initiate seismic strengthening work. I will continue to monitor how industry capacity impacts building owner ability to remediate buildings as deadlines approach.

Extending timeframes at this point in time may disincentivise building owners to start planning their remediations now and may not benefit the earthquake-prone building system in achieving its intent to mitigate life safety risk in a moderate earthquake.

Particularly as approaching deadlines represent buildings within New Zealand's highest seismic risk areas.

Thank you again for taking the time to write.

Warm regards



Hon Dr Megan Woods
Minister for Building and Construction