

INNER-CITY

WELLINGTON Te Reo Pokapū o Pōneke

VOICE OF TE ARO AND WELLINGTON CENTRAL

Meeting of owners of residential units in 'earthquake-prone buildings

Thursday 6 June 2019

OBJECTIVES

- Update on the lobbying we've been doing on your behalf and explaining our conclusions
- Share the results of the owner survey and other research
- Update on some emerging issues
- Outline some ideas for solutions and how you can help

Finish by 8pm

LOBBYING topics

- Keeping residential owners in mind
- Lender of last resort (Budget 2019 announcement)
- Advisory support for body corporates
- Tax relief for owners (Tax Working Group)
- Review of the EQPB policy and legislation
- Compensation for the losses incurred in contributing to a public benefit

Who we have talked to

Local

Wellington Central MP, Grant Robertson
Wellington City Council
Mayor Lester
Lambton Ward Councillors – Iona Pannett,
Nicola Young, Brian Dawson
Councillors

National

Ministry of Business, Innovation and
Employment
Minister for Building & Construction,
Jenny Salesa, and previous ministers
Minister for Housing & Urban Development,
Phil Twyford
National Spokesperson for EQC
Tax Working Group
Engineering NZ
Auditor General's Office
Human Rights Commission

EMERGING ISSUES

- Capacity in the building sector
- Shifting timeframes – priority buildings
- Precast and hollow core floors
- Confidence in the engineering sector
- Insurance
- Concerns about the review of the Building Act and rumours of changes to the EQPB threshold of 34%

EARTHQUAKE PRONE BUILDING

Notice pursuant to 512A/101 of the Building Act 2004

To
The owners of the building,
the occupants of the building, and
any person who has an interest in the land on which the building is
situated, under a mortgage or other encumbrance registered under the
Land Transfer Act 1992, and every person claiming an interest in the
land that is provided by a caveat lodged and in force under section 107
of the Land Transfer Act 1992.

This notice is for the building situated at ADDRESS, more particularly being
situated at Lot 24, and being at the site contained in Certificate of Title
ADDRESS.

This above building has been classified by the Wellington City Council as
earthquake prone under the Building Act 2004.

The meaning of earthquake prone is defined in section 102 of the Building Act
2004 in conjunction with clause 7 of the Building (Specified Systems, Change
of Use, and Earthquake-prone Buildings) Regulations 2004.

For further information please refer to the Wellington City Council's Earthquake
prone Buildings Information System: www.wellington.govt.nz

If you disagree with the classification of the building as earthquake prone you
may apply for a determination from the Department of Building and Housing
under section 107(2) of the Building Act 2004.

If you fail to comply with this
notice, you may be liable for
incurring further enforcement
action, including, but not limited
to, prosecution under the Building
Act 2004.

Under Section 106 of the Building Act
(1), a person commits an offence
if, without lawful authority,
he or she contravenes this notice.

(2) A person who commits an
offence under this section is liable
on conviction to a fine not exceeding 10,000 dollars.

Signed: ROBERT SMITH
Chief Executive

EARTHQUAKE-PRONE BUILDING

Notice under section 102A(1) of the Building Act 2004

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Reduce risk to lives and
buildings in the event of an
earthquake

Strengthen 17,424 buildings

Estimated real cost

@ \$300 per m2 **\$3,598,000,000**

Cost per life saved **\$5,996,666**

OR, cost per building saved **\$148,816,666**

Estimated benefits over 75 years

168 lives saved

24 buildings saved

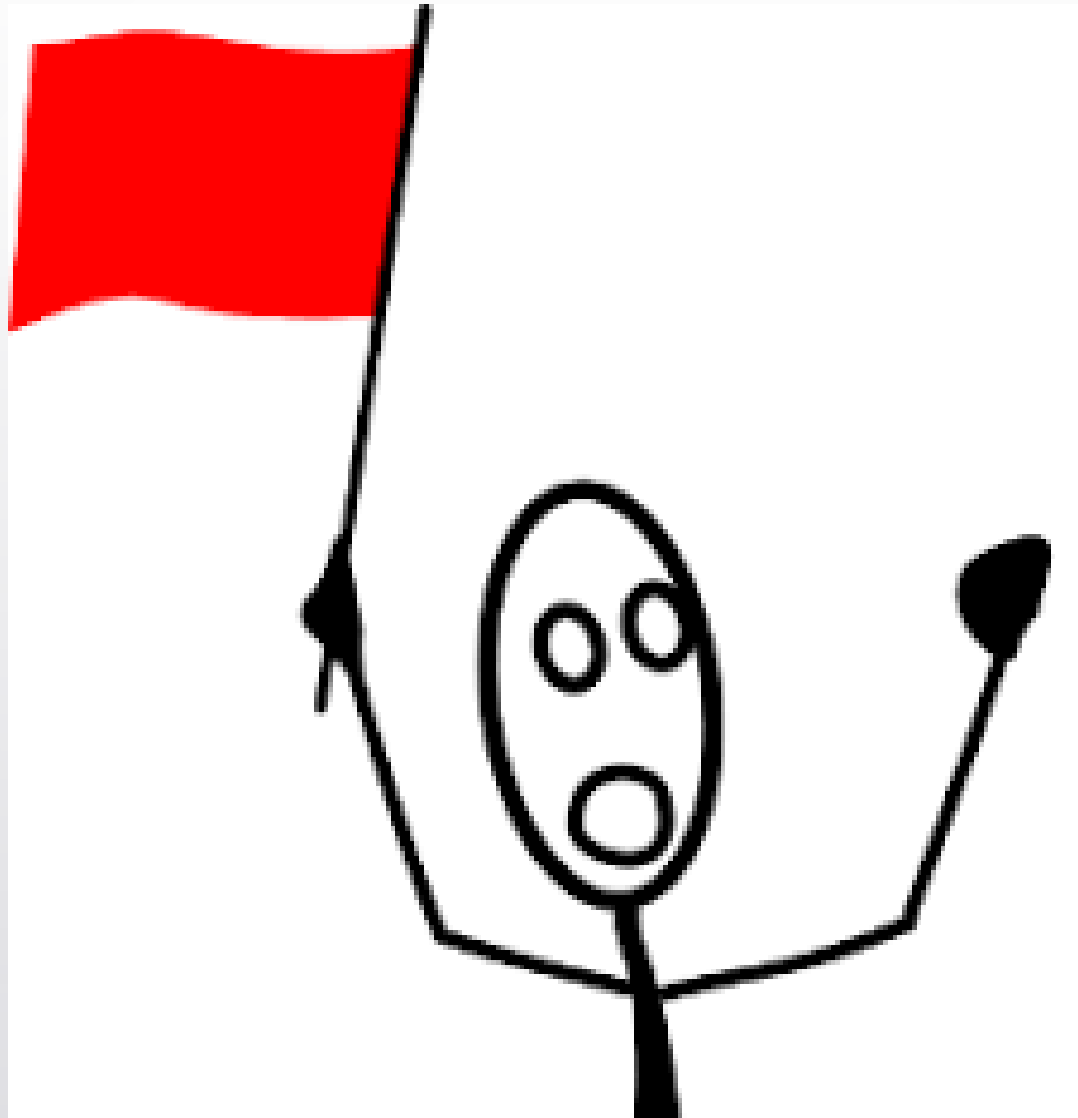
Would this have got
past Treasury if the
Government was
paying?

Estimated cost of strengthening work per unit

\$25,800

\$300 per m²

Cost Benefit Analysis for MBIE 2012



ICW Survey 2019

- MBIE EQPB Register in February - about 40 multi-unit, multi-owner residential buildings
- Responses for 16 buildings, 13 with estimates for strengthening (5-32 units, total 196 units)
- Strengthening budget calculator with all likely line items to calculate total costs of complying by strengthening (verified by Quantity Surveyor)
- Also analysed QV data to work out average RV

Estimated average cost of strengthening work per unit

\$241,571
Ex GST

\$2,808 per m²

From our 2019 survey – 13 residential buildings

Add:

- Unavoidable professional fees, building consents and other building related items
- Usual contingencies
- Likely legal costs
- Likely displacement costs
- 15 % for gst
- 7% for finance

Average cost of compliance per home owner

\$436,868

\$5,324 per m2

Benefits – None

Based on our 2019 survey – 13 residential buildings

Excludes

- Additional DSAs - many building have had more than one
- Increases in building costs – 5% per year
- Replacement of non structural items
- Removal of asbestos found in process of building work
- Fire protection upgrades to meet current building regs
- Any other requirements to meet current building regs

\$483,542

Average RV of apartments in EQPB buildings

Capital loss of 90%

Based on sample of 25 EQPB residential buildings in Wellington

Strengthening is not
economically viable
in most cases

Comply or else!

The legislation forces us to:

- Work with our neighbours to figure out and agree what to do
- Undertake the work before the deadline
- Pay for the work, no matter what the losses
- Carry all the risk

Under threat of \$200k fines and compulsory demolition

No benefits to us

That's legalised extortion

Alternative is selling

Land value –
average 55% of capital value

Loss of 45% capital and utility value

Problems

- Body corporate volunteers expected to run commercial scale, complex building projects in a hostile environment
- Risk – at every step
- Integrity of assessment rating – are these buildings really ‘likely to collapse in the event of a moderate earthquake’?
- Timeframes, priority buildings
- Uncertainty about changing the rules
- Quality of advice, competence and integrity of the professionals
- Availability of professionals and contractors given sector overload
- Insurance

- Owners unable to pay may become homeless
- Stress and fear
- Forced to make financial decisions that will affect your whole life with no choices. Agreeing will disadvantage you and result in massive shift of capital from private individuals to the building industry, lawyers, landlords, Government and developers. And advantages to councils.

Big issue is iniquity

Funding model never before used in New Zealand

Public benefits are usually paid for from public funds

In this case, private individuals forced to:

- Part with what they own and take on debt
- Accept exposure to limitless risk
- Give up their future security
- Risk their health

Without any benefits or protection of any sort

What help is available?

- Some funding for heritage buildings
- RV reduction?
- Rate rebates
- Talk of an advice service

- Financial assistance scheme in budget –
suspensory loans

**But should we be
losing anything at all?**

Does the EQPB regime
undermine our property rights?

Gun owners say \$150m for buyback scheme 'won't cut it'

10:47 am on 31 May 2019

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Gun owners are warning the cash earmarked in the Budget for the firearms buyback scheme is woefully inadequate.



Firearms that are now illegal under the new laws which were pushed through Parliament following the terror attack in Christchurch. Photo: RNZ / Ana Tovey

The government has set aside \$150 million to compensate gunowners for certain types of semi-automatic firearms and parts banned in the wake of the Christchurch mosque shootings.

However, Nicole McKee from the Council of Licensed Firearms Owners said a fairer compensation figure would be "over a billion dollars".

"It would appear that the decimal point might be in the wrong place. The council is preparing calculations themselves based on feedback from some of the dealers, and it appears the government is pretty light on what the costs might be."

For a LENDING scheme to help home owners pay for reducing the perceived unacceptable public safety risk presented by their buildings
- \$10 million capital

For a PURCHASING scheme to pay gun owners for guns that are perceived to present an unacceptable risk to the NZ public from their owners
- \$150 million capital

To adequately balance life
and safety against
economic, heritage and
other considerations

Government rationale!

Whole issue of urban development becomes more complicated every day, and more risky for apartment owners

Government won't want to be seen as backing off public safety

Council wants us to get out of the way as quickly as possible

What can we do?

What bargaining

power do we have?

Solution?

Moratorium on new initial assessments pending a review the policy and legislation (as part of the Building System Review?)

Offer owners already caught up the regime assistance to get an independent assessment and costing a strengthening project if less than 34% NBS. Then owners can choose the best solution for them:

- Strengthen at own risk – with ‘wrap around support’ – advice, loan scheme, grant to compensate for contribution to a public benefit
- Sell on the open market – with grant to compensate for loss of capital
- Sell to Government or Council on similar terms to PWA

Compensation for owners who have already strengthened or sold

ICW will continue to lobby for:

- Funding and support to help those than can progress
 - Financial Assistance Scheme
 - Robust, effective and free advisory support
 - Tax relief for those that can fund
- Compensation for those having to sell
- An authoritative agency or certification for detailed seismic assessments
- Review of the policy and legislation

What can you do?

- Contact the Building and Construction Minister, your MP, councillors, the mayor – tell your story and ask for assistance
- Use the calculator to work out the real cost of complying
- If there is no sensible way of complying – tell the Government and the Council – we can't comply
- If owners want to strengthen but can't afford to – register interest in the Government loan scheme quickly
- Sign the Petition to Parliament – to get the issue in front of a select committee