

Wellington Inner-City Residents and Business Association
C/- Chair of Earthquake Issues Sub-Committee: Gus Charteris
33/254 Willis St
Te Aro
WELLINGTON 6011



**INNER
CITY**
ASSOCIATION

Representing
Wellington
Inner City
Residents and
Businesses

March 14, 2012

Hon Maurice Williamson
Minister of Building and Construction
Parliament Buildings
WELLINGTON 6011

Dear Minister

The Wellington Inner-City Residents and Business Association (or Inner-City Association (ICA) for short) has been working closely with the Wellington City Council (WCC) as it reviews its Earthquake Prone Buildings Policy (EPBP) in light of the Canterbury earthquakes. This policy, and how it is implemented, has very serious implications for many residents and businesses in Wellington's inner-city.

We would like to meet with you to discuss some of the concerns being raised at the community, building, and resident level as we feel this information will be important as the Government considers and, in due course, responds to the recommendations of the Canterbury Earthquakes Royal Commission (CERC).

The overriding message from building owners (predominantly owners of individual apartments) is that they share the desire to protect people from harm, not least their own families. But they believe too that local and central government must have a clear appreciation of the very real costs involved in earthquake strengthening and, if it is to be achieved, a realistic approach to the way in which targets are set and costs are apportioned across the community.

Without a clear understanding of the costs involved and how they impact on building owners, businesses and the community, and what is required and how it can be achieved, we risk moving more quickly than finances can bear. The potential consequence could be hundreds of unsustainable buildings; a destruction of civic fabric; mortgagee sales of apartments, and commercial units and buildings; and significant economic distress across the city (and wider country).

Building owners are not anti-safety, but the costs involved in earthquake strengthening – particularly older heritage buildings - can quickly run into the millions of dollars. Long lead times are necessary to fund this work, particularly where equity levels do not allow for immediate debt financing.

Our members have provided us with examples of the real costs being faced at the apartment and building level. We would be happy to talk to you about these costs if you are available to meet with us.

At the same time as building owners need to find money to undertake earthquake strengthening they are also facing significant insurance-related challenges. The difficulty of securing insurance cover in the current climate, and the extremely high cost of cover if found (increases of between 400-500% are not uncommon), is creating considerable distress at the building and individual owner level. These increases make it very difficult for Body Corporates to set additional levies for future earthquake strengthening work.

Local and central government should be actively considering what it can do to reduce uncertainty around future regulatory changes so informed investment decisions can be made.

Most owners want to meet earthquake standards (and protect themselves, the public and their buildings) but are worried that further huge capital outlays will be required if standards continue to change in the lifetime of current owners.

While owners accept that standards change over time, some question whether these changes should be always applied to all previously strengthened buildings. Other key issues include; the frequency of the changes; and the ongoing ability of owners to finance these requirements. It is hard to overestimate the impact of this uncertainty on the property market – particularly for heritage buildings – not least the extent to which uncertainty is delaying valuable work.

ICA agrees with the Wellington City Council's view (in its first submission to the CERC) that in the case of earthquake strengthening, the costs fall almost exclusively upon building owners, whereas some of the benefits are external and may be distributed throughout the community. We believe that other financial arrangements should be considered if the desired outcome is to prevent a far greater cost to the community (and Government expenditure) at a future point.

A number of suggestions, which we feel warrant serious attention include:

- Making seismic strengthening work tax deductible for all building owners to encourage owners to bring their property assets up to higher seismic standards;
- Publicly funded geo-technical work which could be shared with building owners to lower the high cost of this work;
- The pooling and provision of earthquake strength designs to lower engineering costs for owners;
- Government supported, bank-led financing mechanisms to enable individual owners of apartments in earthquake prone buildings to finance the strengthening work which will be required;
- Government supported insurance arrangements where insurance cover is unavailable or unaffordable; and

- The role of EQC in preventative interventions and potentially other incentives.

We would welcome a discussion with you on any of the points raised in this letter, but in particular, the specific building costs that have been shared with us on an in-confidence basis.

Yours sincerely

Gus Charteris
For Wellington Inner-City Association (ICA)

C.C.
Mr Grant Robertson
MP for Wellington Central
220 Willis Street
Te Aro
WELLINGTON 6011