

Building Seismic Performance – Feedback

Wellington Inner-City Residents and Business Association (known as Inner City Association (ICA))

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The key points of this submission are:

- Building owners in the inner city generally want to strengthen to the maximum they can afford to protect themselves and building users, and maintain the value of their investment, but will almost always be doing this within body corporate environments where owners will have differing financial capacity and risk thresholds.
- ICA supports the retention of the 33 % as the minimum strengthening threshold as a national standard. Any variations for lifelines/strategic routes or economic resilience must be set nationally (not by local authorities) and accompanied by funding assistance mechanisms to recognise the public good component of the higher standards.
- Building owners need regulatory certainty to plan for, and manage, the large financial investments involved with earthquake strengthening. Serious consideration should be given to de-linking the minimum strengthening threshold from the NBS.
- Timeframes must be realistic and take into account the financial implications for owners and the capacity of the engineering/building sector to provide the required services.
- The Government needs to more critically consider the implications of the current (nationwide i.e. not just Christchurch) insurance market on efforts to strengthen buildings and the wider economy.
- The Government also needs to be working closely with local authorities to develop new and innovative funding mechanisms which will allow building owners/bodies corporate to borrow the money they need for strengthening. Incentives like depreciation for strengthening work also need to be seriously considered.

Proposal 1: Local authorities would be required to make a seismic capacity assessment of all non-residential and multi-unit, multi-storey residential buildings in their districts within five years, using a standard methodology developed by central government, and to provide the resulting seismic capacity rating to building owners. An owner could have their building's seismic capacity rating changed by commissioning their own engineering assessment.

Proposal 2: Assessments would be prioritised faster for certain buildings (e.g., buildings on transport routes identified as critical in an emergency).

1: Should local authorities be required to assess the seismic capacity of all buildings covered by the earthquake prone building system in their areas, and to issue seismic capacity ratings to owners?

- Yes
- Support. But any process should avoid duplicating work that has already been completed or is well underway e.g. Wellington City is well down this track. Building owners should not be expected to face additional uncertainty/cost if they have already participated in a fit-for-purpose process.

2. Do you think five years is a reasonable and practical time to require local authorities to carry out assessments in their districts?

- No.
- This is likely to be do-able for larger centres that have the resource to devote to this work but smaller centres are likely to struggle. The risk is scarce resource will be diverted from higher priority – and more economically-meaningful - issues.
- If greater resources are needed then this is going to have a flow-on effect to rates.
- Given the relatively fixed short-term capacity of the structural engineering sector, shorter timeframes are also likely to create excess demand resulting in escalating prices for consultancy services.
- Time must also be factored in to allow building owners to challenge the initial assessments.

3. Should unreinforced masonry buildings be assessed faster than other buildings?

- Not necessarily. The Christchurch experience exposed areas of higher risk from buildings that have similar issues to CTV (poor design, construction, etc). An assessment of these buildings should be accorded priority.

4. What costs and other implications do you see with these proposals to assess the seismic capacity of buildings?

- Structural engineering costs are significant as are the lag times involved in identifying suitably qualified experts, commissioning the work, and working through the detailed analysis and response to local government.
- Bodies Corporate are also made up of varying levels of expertise and many lack good project management related skills. Many also face complex decisions related to how to fund the work – both preparatory and actual – and the long-term economic sustainability of buildings. A greater level of information provision and support from government would be a useful way of supporting Bodies Corporate and building owners through this complex and costly process.

Proposal 3: Building information would be entered into a publicly accessible register maintained by MBIE.

5. Do you agree that local authorities should be required to enter information on the seismic capacity of buildings into a publicly accessible, central register to be managed by MBIE?

- Uncertain. The ICA understands the proposed central register is a response to a perceived need for greater levels of transparency and easily accessible information on the earthquake strength of buildings. That said we have low confidence that a database (or multiple if they are mirrored in some way at the local govt level) will be maintained to a sufficient standard that would allow it to play this role in any meaningful way. There is also a large risk that people will form decisions on the basis of inaccurate, out of date, or partial information. The ICA does not think that this would meet the objective being pursued and could represent a major potential cost (in terms of lost sales/rentals etc.) for building owners.
- It may be more cost-effective to specify what information local authorities must make freely available on the seismic capacity of the buildings in their districts through their websites.
- If a central register is established, updating by local authorities should be automated to ensure any changes to the local authorities information is updated directly into the central register.

6. Should information other than a building's seismic capacity rating be entered into the register for example, agreed strengthening actions or information from an agreed building ratings system?

- No. This would increase the risk of the information becoming out-of-date and poor decisions being made on the basis of incomplete or partial knowledge.
- Building users (i.e. non-technical people) would require any technical information in the database (e.g. identified structural weaknesses or features) to be easily understood to be useful. This would be resource intensive and costly. The current selling disclosure requirements should already be a fit for purpose information discovery mechanism in a sale/purchase context.

7. Rather than a central register, should local authorities be responsible for both collecting and publishing this information?

- Yes – as this is part of their current responsibilities. Minimum requirements for what information should be freely available to the public should be set nationally.
- MBIE might still provide a central portal which could link to the relevant area of the local authorities' websites.
- There is a risk, however, that we could end up with a confusing set of varying local systems with different levels of information if clear national guidance is not given and if compliance is not monitored.

8. Should there be any other information disclosure requirements for example, should building owners be legally required to display information on the building itself about the building's seismic capacity?

- No
- This should not be necessary if the information is readily accessible (either through the local authority website or via a central website).
- A notice displayed on the building cannot contain all the information required for a building user to make a properly informed decision.
- An alternative mechanism for buildings that have commercial premises (i.e. excluding residential only buildings) could be to include this information in a Building Warrant of Fitness which would be displayed where the public can see (similar to health standard for cafes).

9. What costs and other implications do you see resulting from the proposal to put seismic capacity information in a register?

- There will be system and resource costs to establish and maintain systems and links between local authority databases and a central register.
- Would also want to avoid a situation where building owners were being required to provide information to local authorities AND also MBIE. This would raise the compliance costs for building owners. Information should be provided to one or the other (the preference being the local authority) with the information then shared between the levels of government.

Proposal 4: The current earthquake prone building threshold (one third of the requirement for new buildings, often referred to as 33 per cent NBS) would not be changed. However, it is proposed to establish a mandatory national requirement for all buildings to be strengthened to above the current threshold, or demolished, within a defined time period.

10. Does the current earthquake prone building threshold (33 per cent of the requirement for new buildings) strike a reasonable balance between protecting people from harm and the costs of upgrading or removing the estimated 15,000-25,000 buildings likely to be below this line?

- Yes
- Strongly support no change to the 33% NBS threshold.
- While inner-city building owners would welcome the certainty that this no-change proposal represents, they are still very concerned that given the direct link between the NBS and the 33% threshold that any future change in the NBS will automatically trigger potential further – costly – upgrades.
- Discussion is required on how changes to the NBS (based on new strengthening technology, construction techniques and seismic knowledge) should be applied to compliant existing buildings. This must take into account the financial impacts for owners, the multi-owner nature of apartment buildings, and the mixed use of many apartment buildings in the inner city.
- ICA endorses the issues raised in Ian Harrison’s submission (of TailRisk Economics), and consider that these reinforce the need for Government to seriously consider the basis for linking the strengthening threshold to the NBS.
- Many owners of heritage buildings face a very real balancing act between the long term economic sustainability of their buildings and wanting to preserve these beautiful buildings for future generations. While a once-a-generation strengthening upgrade may be affordable for some buildings it is very unlikely that owners could afford/justify several upgrades if the NBS continues to increase the requirements for ever higher earthquake strength levels. While a response to this issue is obviously to upgrade buildings to the highest level affordable, in many cases the minimum level is as far as building owners are able to fund given the very significant costs involved.
- The uncertainty of future regulatory changes/standards is a major factor constraining investment in many heritage buildings. Many owners are unwilling to invest the significant capital required to safeguard an asset that is marginally economically sustainable even without the uncertainty created by potential future regulatory change.
- The ICA view is that the key objective of dealing with “earthquake-prone” buildings would be achieved more quickly if the current 33% threshold was de-linked from the NBS. This would:
 1. give building owners certainty that future changes to the NBS would not automatically trigger costly upgrades;
 2. stabilise the capital value of buildings (by removing uncertainty for potential/future owners); and
 3. allow funds to be raised for the investment needed.
- The use of percentages in legislation/information is putting the focus on a relatively obscure (to the layman) numbering system. The focus should be on the Life Safety Standard threshold – 34% is the minimum to allow people to get out rather than to save the building. Anything above that is more about building resilience (and related economic resilience). Notices could then say ‘Building meets the Life Safety Standard under the Building Act 2004’.

11. Should the requirement for earthquake prone buildings to be strengthened or demolished take precedence over all other legal, regulatory and planning requirements, such as those designed to protect buildings of heritage or local character?

- No, if the full costs of protecting heritage and local character buildings fall on the private owner. Refer to Qn 25-29 for further responses on this issue. If the full cost of protection falls on the private owner, they may have no other choice but to demolish.

- The earthquake strength of buildings is one important dimension but it is not the only consideration when thinking about the built environment. We want sensible decisions to be made that avoid, where possible, the loss of many of our most important buildings (e.g. we want to avoid a repeat of the Wellington 1980s experience).

12. Should local authorities have the power to require higher levels of strengthening than the earthquake prone building threshold, or strengthening within shorter timeframes than the legally defined period?

- No.
- Strongly oppose. This would re-introduce significant uncertainty into the process and create major obstacles for building owners who are keen to move ahead with the necessary work.
- The Wellington City Council (WCC) has submitted that flexibility to apply higher strengthening requirements should be given to local authorities (following consultation with the community) for lifelines/strategic routes for emergency management, economic resilience, where public funds have been given for strengthening, and heritage buildings. The ICA disagrees this flexibility (particularly in the expansive way the WCC envisages) is required.
- If any requirement for higher standards for lifelines/economic resilience is set, it must be nationally. There must also be government funding to recognise the overwhelming public good component of the higher requirements in these situations (i.e. these higher standards are required for public good purposes not simply to safeguard the lives of building occupants and/or owners).
- It is worth noting the ICA thinks that the WCC approach to “economic resilience” is overly simplistic and only accounts for the possible costs of rebuilding the city in the event of a significant earthquake (which is still a very low-risk event). Their approach does not fully account for the real “economic resilience” implications of earthquake strengthening costs in the near term which are a certainty and will have major implications for attracting and retaining businesses in Wellington.
- The ICA considers that the seismic risk factor already allows for regional variation in risk. Q16 also allows for faster action on buildings of strategic importance, which the ICA conditionally supports.

13. Should certain features of unreinforced masonry buildings, such as chimneys and parapets, be required to be strengthened to a higher level?

- No. Assuming the building as a whole complies with the 33% NBS threshold then this should not be required.

Proposal 5: All buildings would be strengthened to be no longer earthquake prone, or be demolished, within 15 years of the legislation taking effect (up to five years for local authorities to complete seismic capacity ratings, followed by 10 years for owners to strengthen or demolish buildings).

Proposal 6: Strengthening would be carried out faster for certain buildings, e.g., buildings on transport routes identified as critical in an emergency.

Proposal 7: Owners of buildings assessed as earthquake prone would have to submit a plan for strengthening or demolition within 12 months.

14. Is it reasonable and practical for owners of earthquake prone buildings to meet the following timeframes:

- 12 months to submit plans for either strengthening or demolishing the building?
- 10 years from the date of the seismic capacity rating to strengthen or demolish?

- No
- 12 months is not long enough for building owners to identify suitably qualified experts, commission the work (subject to availability – a key issue), work through the detailed analysis and range of complex issues needed before properly informed decisions are made, and gain agreement of the local authority to the plans.
- The term ‘plan’ needs to be clarified i.e. could it be a timeline for obtaining the information on the costs/process or is it the detailed engineering plans? If the former, 12 months may still be insufficient to obtain the required/preferred professional guidance and advice required.
- The 10 year timeframe would probably be doable for most buildings with the caveat that given the scale of the costs this would be an absolute minimum amount of time needed to generate the capital required to support a strengthening programme.
- Evidence of progress should be taken into account when assessing compliance (buildings with plans, savings plans to obtain funds, whether a contractor can be booked and when, etc).
- The timeframe needs to consider the capacity of the wider construction industry to achieve that work – along with ‘business as usual’ construction for other parts of the community not affected by these requirements.
- Staging strengthening projects should also be acceptable, even if it takes longer than the allocated timeframe. This approach allows owners to spread the costs and target priority areas.
- The point at which the 10 year (or whatever the agreed period) timeframe starts needs to be clarified in the legislation. Some building owners have already received notices to say they are earthquake-prone and have been given a timeframe to complete the remedial work. Due to the uncertainty around the Royal Commission Enquiry, expectation of legislation changes, and/or lack of availability of required expertise due to Christchurch, often little or no planning or work has progressed. There will need to be flexibility on this or some owners will be placed in difficult situations.
- The ICA supports the Wellington City Council’s submission in this area. There is merit in considering how the regional seismic risk rating and a nationally applied priority rating based on building type can be used to establish realistic timeframes and manage supply/demand issues and the financial impacts.

15. What additional powers would local authorities require to enforce the proposed requirements?

- Unsure. Any powers must take into account evidence of progress by owners as discussed in previous questions. Any appeals process must be efficient and low-cost to avoid further financial distress for building owners. .

16. Should local authorities be able to require faster action on buildings of strategic importance, such as those:

- located on transport routes identified as critical in an emergency
- with important public, social and economic functions, such as schools and police stations
- with post-earthquake recovery functions, such as civil defence centres and hospitals.

- Yes
- But needs to be very well defined and constrained and a flexible case-by-case approach taken where shortened timeframes were just not feasible given specific building or building owner characteristics.

17. Should all unreinforced masonry buildings require strengthening more quickly than other earthquake prone buildings?

- No
- Earthquake-prone is earthquake-prone. Christchurch showed that more modern non-unreinforced masonry buildings that turned out to be earthquake prone were more deadly.

Proposal 8: Certain buildings could be exempted or be given longer time to strengthen, e.g., low-use rural churches or farm buildings with little passing traffic.

18. Should the owners of certain specified types of earthquake prone buildings be able to apply to local authorities for exemptions or time extensions to the requirement to strengthen or demolish?

- Yes

19. If yes, what are your views on the following possible criteria:

- the building is used only by the owner, or by persons directly employed by the owner, on an occasional or infrequent basis
 - the building is used only occasionally (less than eight hours per week), and by less than 50 people at any one time
- AND in each circumstance above:
- all users are notified that the building is likely to collapse in a moderate earthquake
 - the building is not a dwelling
 - the building is not a school or hospital and does not have a post-disaster recovery function
 - there is no risk of the building partially or fully collapsing onto a public walkway, transport route or a neighbouring building or public amenity
 - effective mitigation measures have been put in place to protect building users from the risk of collapse in a moderate earthquake?

- Agree with proposed criteria

Proposal 9: Central government would have a much greater role in guiding and supporting local authorities and building owners, as well as in public education and information.

20. Are the advice, information and education activities proposed for central and local government agencies sufficient to help ensure effective implementation of the new earthquake-prone building system?

- No

- What is being proposed is useful but structural engineering is a very technical area and building owners (including bodies corporate, which are made up of varying levels of skills and expertise) require good quality advice and guidance to bring – often complex – projects to successful conclusion.
- A toolkit of well-endorsed information on how to earthquake strengthen would be very useful for building owners. This toolkit could include:
 1. lists of registered practitioners – or links to authoritative registers;
 2. best practice advice related to project management;
 3. information on the latest technologies, strengthening designs (including options for heritage buildings), and building materials (to help overcome the major information asymmetries faced by consumers/building owners)
 4. information on where to access site-specific (or area specific) geotechnical information (see next dot point).
- Greater effort is also required to make more easily available publically-owned data on issues such as ground conditions (geotech information). This information is often buried and being re-packaged and sold by the private sector greatly increasing the costs borne by building owners.
- Central government also needs to work more closely with local government in using its imprimatur to facilitate the development of new and innovative funding mechanisms which allow bodies corporate and building owners to access the capital they need to proceed with strengthening work. The single biggest hurdle to making progress with upgrade work – apart from regulatory uncertainty – is access to capital. Many apartment owners in particular will have large mortgages and those that now own apartments in buildings designated as “earthquake-prone” are very unlikely to be able to access additional funds from their banks, especially in situations where the building has not been able to secure earthquake insurance (a growing issue around Wellington city). This is a major issue which needs careful and serious thought by central and local government.

Fire escape and disability upgrade requirements: On whether the current Building Act fire escape and disability upgrade requirements are, in practice, a barrier to building owners deciding to carry out earthquake strengthening work.

21. Are current requirements to upgrade buildings to “as nearly as reasonably practicable” to Building Code fire and disabled access requirements a disincentive or barrier to owners planning to earthquake strengthen existing buildings?

- Yes
- Costly upgrades of areas like internal staircases could be caught by this requirement.

22. Should local authorities be able to grant building consents for earthquake strengthening without triggering the requirement to upgrade the building towards Building Code fire escape and disabled access and facilities requirements?

- Yes
- Strongly support. If we want to achieve the objective being purposed then we have to remove as many potential impediments as possible.
- Owners may not have chosen to undertake any structural work except for the mandatory requirement to take action on earthquake strengthening, so changes should be kept to the minimum necessary to achieve the objective.

23. Should any change apply to both fire escape and disabled access and facilities requirements, or to disabled access and facilities requirements only, i.e., retain the current fire escape upgrade requirements?

- No.
- ICA members report that upgrading to current requirements can almost be as expensive as the strengthening element of the work.
- Need to focus on the critical objective - earthquake strengthening. - if we want to make real and meaningful progress in the timeframes being considered.

24. What would be the costs and other implications of delinking earthquake strengthening from current Building Code fire and disabled access requirements?

- Uncertain.

Heritage buildings: On how important heritage buildings can be preserved while also being made safer.

25. When considering listing heritage buildings on district plans, what factors should local authorities consider when balancing heritage values with safety concerns?

- A critical issue is the need to balance the need for economic sustainability (which obviously contributes to a dynamic and growing city) with the desire to preserve our heritage. There is unlikely to be one hard and fast formula but flexibility must be preserved in the system to ensure that buildings can continue provide for the needs of the people that are likely to demand its services i.e. work in it, live in it etc. If the costs associated with strengthening upgrades to heritage buildings create economically unsustainable buildings then we will ultimately lose part of our heritage as they will eventually be abandoned.
- We also have to recognise that no building can ever be earthquake-proof, and that like everything in life there are risks to be considered and weighed. Living or working in a heritage building should be one of the risks we factor in to our lives. People/businesses with a lower risk threshold can choose not to use these buildings.
- Local authorities in consultation with heritage groups and the Historic Places Trust need to identify the buildings the community considers 'iconic' and must be protected. Funding assistance (local or central) could then be made available to assist owners of those buildings.

26. What assistance or guidance will be required for owners, local authorities and communities to make informed decisions on strengthening heritage buildings in their districts?

- Need to establish criteria that distinguishes between the 'of interest, but not iconic/crucial to the local townscape' and those that are 'true' heritage buildings. Local authorities have expanded the definition of 'heritage' to include special or local character, including areas and not just buildings.

27. What barriers deter heritage building owners from strengthening their buildings?

- Major cost.
- Uncertainty from changing regulatory regime/standards.
- Economic sustainability of heritage buildings

28. Do heritage rules (for example, those in district plans) deter owners from strengthening heritage buildings?

- Feedback indicates this is the case. Strengthening can be more costly due to heritage rules and there may not be the same flexibility in solutions available to the owner.

29. What are the costs and benefits of setting consistent rules across the country for strengthening heritage buildings?

- Greater certainty.
- More faith that local government won't change the rules or that a confusing (and potentially costly) multitude of systems with different requirements/rules is developed.
- Risk that local community values are not reflected in the nationally applied rules.

Residential buildings: On the Royal Commission's recommendation to allow local authorities the power, following consultation with their communities, to adopt and enforce policies to require specific hazardous elements on residential buildings to be dealt with within a specified timeframe.

30. Should local authorities have the power, following consultation with their communities, to adopt and enforce policies to require specific hazardous elements on residential buildings to be dealt with within a specified timeframe?

- If a thorough cost/benefit assessment established a case for intervening in this way i.e. the benefit of lives saved outweighed the costs involved given the level of risk, then there may be some justification for this.
- The ICA would have thought, however, that the private insurance market had a primary role to play if the objective was more focused on limiting property damage i.e. owners who chose to remove/replace brick chimneys would receive a premium rebate (or owners choosing not to do anything would pay more).

Other questions

31. What would the proposed changes mean for you?

- Large costs involved in the strengthening required
- Greater clarity and certainty with the no-change to the 33% threshold proposal. But note this would not resolve the longer-term uncertainty issue from linking to future changes in the NBS (see answer to question 10).

32. Are you aware of any problems with current policy and practice around earthquake prone buildings, other than those identified in this document?

- Yes. Insurance issues and unavailability of financial assistance mechanisms are becoming a major issue of concern for inner-city building owners.

Insurance

- There is limited choice in the market, premiums (where cover is being offered) are becoming unaffordable (and affecting the ability of building owners to raise the funds needed for strengthening work), there is confusion about the requirements of the Unit Titles Act (the

Inner-City Association has made a separate submission on this), and there are significant implications for mortgagees if they are not able to get insurance or the Body Corporate decides it cannot afford insurance.

- Indemnity insurance is also proving to be unaffordable for many inner-city buildings and a growing number of earthquake-prone buildings in the Wellington inner-city are now without earthquake cover.
- Government needs to more critically consider the implications of the current (nationwide i.e. not just Christchurch) insurance market (where one exists) on the wider economy.
- There are two key issues:
 1. the loss of potential economic investment that is represented by the flow of insurance premium payments offshore; and
 2. the economic risk associated with a growing number of buildings not having earthquake cover.
- It is becoming clearer this is not just a temporary situation, particularly for buildings unable to obtain earthquake cover. The general central government line seems to be – we know it's tough but hang in there and premiums will eventually fall back to a more reasonable level (albeit at a structurally higher level relative to the historical average). Many building owners facing massive premium hikes are, however, in considerable financial distress and cannot continue to hang on indefinitely.
- What is less clear is whether the Government is doing any thinking (and we think it should be) about what a permanent structural shift in the insurance market (and much lower willingness of international reinsurers to provide cover for the Australasian insurers) means for the NZ economy.
- New Zealand is not the only country to have faced this situation. Both California and Japan have had to intervene in insurance markets given broad market failures and so there are key international lessons/policies for NZ to consider.
- The ICA thinks it is time for the government to be giving active consideration to some form of (temporary) underwriting of the insurance market. This would, in our view, materially assist both the earthquake strength objective of this discussion document (and you could design an underwriting programme that helped incentivise strengthening work), and wider economic activity (by helping to divert funds that would otherwise have been transferred offshore). While central government would be explicitly taking on the risk of this exposure it could be argued it implicitly already is (given the scale of the government tab in Canterbury). The benefit of underwriting for a temporary period would be the funds used to secure the cover from the government could be channelled to more productive economic uses.
- To reiterate, ICA thinks it is time for the Government to be actively considering options that would support and underpin the return of a well-functioning, stable insurance market in NZ. This is critical as without this certainty it is going to be very difficult for building owners to raise the vast sums of capital needed for earthquake strengthening from lenders. The ICA would welcome an opportunity to discuss this in more detail with MBIE officials.

Financial assistance mechanisms

- The ICA also feels the Government needs to be working closely with local authorities to develop funding mechanisms and incentives for earthquake strengthening work.
- An example often cited is the possibility of councils working with lenders to provide mortgages for earthquake work, with these being recovered via targeted rates. The ICA also feels that the issue of depreciation of strengthening costs - for both commercial and private owners – needs to be looked at again as this would be an important financial incentive.

33. Do you agree with the following objectives for changes to the existing earthquake-prone buildings system:

- reduce the risk – to an acceptable level of people dying and being injured in or by buildings that are likely to collapse in moderate to large earthquakes.
- ensure that building owners and users have access to good information on the strength of buildings they own and use, to help them make good decisions about building resilience and their use of the building.

- Yes