



**INNER-CITY**  
**WELLINGTON** Te Reo Pokapū o Pōneke  
VOICE OF TE ARO AND WELLINGTON CENTRAL

Supplementary Submission (1) to the

## **Governance and Administration Select Committee**

Personal submissions by apartment owners in multi-owner residential earthquake prone buildings

in support of two petitions to Parliament:

1. Review of the earthquake-prone building provisions of the Building Act 2004
2. Comprehensive support for residential owners in earthquake-prone buildings

Submitted by Geraldine Murphy (petitioner)  
Spokesperson on Seismic Matters  
Inner-City Wellington

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## Introduction

Around 330 apartment owners and their families are currently struggling to deal with what it means to be part-owners of 40 Wellington buildings that are registered as 'earthquake-prone'. They are victims of Subpart 6A of the Building Act 2004.

In this supplementary submission, 17 owners of apartments from eight of those buildings speak to the Select Committee from an individual and sometimes professional perspective, and some speak from their experience working on behalf of the other owners in their buildings. Their personal submissions, which highlight flaws in the policy logic, the legislation and the implementation system, highlight issues that are common to all affected apartment owners and provide the Committee with first-hand evidence that, as it affects owners of homes in multi-owner residential buildings, the earthquake-prone building legislation is unreasonable, unfair, harmful and morally indefensible.

Inner City Wellington calls on the Committee Chair to invite the home owners who have made a written submission, to make an oral submission.

Inner City Wellington calls on the Committee Chair to invite all those who have made written submissions to make an oral submission.

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## **Hazel Kirkham (Owner 1)**

### **Submission to the Governance and Administration Select Committee**

**Re: The effect of Earthquake-prone Building Legislation on home owners**

**From: Hazel Kirkham, owner of an apartment in Wellington**

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### **Why multi-owner residential buildings should be removed from the scope of Subpart 6A of the Building Act 2004 and home owners affected to date should be compensated for their losses**

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#### **Context**

I am the co-owner of an apartment in a multi-owner residential building in Wellington that has an Earthquake-prone Building notice on it. My life has been turned upside down by the EPB legislation. After seven long years of anxiety, thousands of dollars spent on professional advice, and hundreds of unpaid hours of hard work by the few owners who can do it, owners in our building have come to the conclusion that they cannot comply with the legislation. So we are going to sell the entire property as a collective. There is no way of knowing how much the proceeds will be but whatever they are, my partner and I will suffer the consequences for the rest of our lives.

Owners are shocked and scared that it has come to this. They cannot believe that the New Zealand government could treat people with such wanton cruelty and disregard. The desperate situation home owners find themselves in is having an impact on the mental health of some and we are all exhausted. But I will never give up my fight, alongside other affected owners, to convince the Government that we should never have been put in this situation, that we should be compensated for our losses, and that the legislation should be amended so that no-one else has their property rights and lives trampled on like this.

Protecting the public from harm is a core function of government. New Zealanders expect the government to take reasonable steps to keep them safe from physical accidents, from crime, from breaches of their human rights, from the effects of disasters, and multiple other threats, and to help them recover, defend them, or compensate them if things go wrong.

In 2016, Parliament voted overwhelmingly for amendments to the earthquake-prone buildings provisions of Building Act 2004 that responded to the recommendations of the Royal Commission that followed the 2011 Canterbury earthquake.

The cost benefit analysis<sup>1</sup> on which the Department of Building and Housing relied when developing the amendments shows that the legislation can be expected to deliver a modest public benefit, the saving of up to 24 buildings and 168 lives over the next 75 years, valued at \$25million (NPV). That benefit would be achieved by retro-strengthening or demolishing up to 25,000 public, commercial and residential buildings across the country, at a cost that was estimated then at 37 times the benefit value, \$958million (NPV). It is not surprising that the Government's advisors unanimously concluded that a cost-benefit ratio of 0.02651 did not support the policy, but that did not deter the minister from recommending the bill to Cabinet and Parliament.

But maybe cost was not an issue, because the cost of delivering *this* public benefit was not coming from the public purse. *This* public benefit was to be entirely funded by building owners who would be forced to retro-strengthen or demolish their buildings at their own cost and risk, no matter how great those might be.

Whilst there may be some justification for this policy in the case of public and commercial buildings, forcing apartment owners, private tax-paying, EQC levy-paying, insurance premium-paying, rate-paying individuals, to take responsibility for delivering a public benefit turns the social contract on its head and is an extraordinary step. Given the extent of the financial losses, life disruption and stress the owners will be forced to suffer, is it morally indefensible.

Most residential property is exempted from the earthquake-prone building legislation, but residential buildings of two or more storeys with three or more units are included, as are boarding houses, hostels and rental flats.

My research suggests that in Wellington about 15% of buildings on the earthquake-prone register are residential, almost equally split between a) council or privately-owned, single title, multiple-occupancy buildings, and b) multi-owner residential buildings containing apartments.

Apartments are *homes*, just like houses and bungalows are homes. But the legislation treats every apartment home owner as if they were the individual owner of a public or commercial building.

Public or commercial buildings might be open to the public, have tenants or be workplaces. Their owners can set costs against expenses, recoup GST, and pass on strengthening costs to tenants, customers, or ratepayers. Multi-owner residential buildings on the other hand, are private places where people live in privately-owned apartments, so the risk those buildings pose to the public in an earthquake is relatively small. Apartment owners must meet compliance costs out of their own pockets, and as they cannot offset any costs against tax or reclaim GST, they bear the entire costs as losses.

The legislation forces apartment owners to get together with their neighbours, form collectives and organise themselves to manage commercial-scale retro-strengthening projects, and to complete the work at their own cost and risk. If they don't comply by the

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<sup>1</sup> <https://www.mbie.govt.nz/dmsdocument/74-cost-benefit-analysis-earthquake-prone-building-review-pdf>

compliance deadline, the penalties are draconian. \$200,000 fines and the compulsory demolition of their homes.

Extortion is a fitting description of the regime as no benefits accrue to the apartment owners who are being forced to lose hundreds of thousands of dollars each, have their lives turned upside down and put on hold for years, and in the worst cases end up facing bankruptcy and the rest of their lives in a council flat.

Surely this was not the intention of the MPs who voted aye to the amendments to the Building Act that gave us Subpart 6A. Surely this is some terrible mistake.

I wonder whether the MPs were seduced by how good it felt to be responding so quickly to the Royal Commission's recommendations. Who would argue against a public safety programme that would save lives, although exactly how few was glossed over, and did not require a single dollar from the budget?

But how could it be that no-one noticed that a policy about buildings completely ignored the fact that some buildings contain homes and that hundreds perhaps thousands of apartment owners would be forcibly asset stripped, potentially wrecking their lives and the lives of their families? How could it be that no-one raised a murmur about private property rights let alone morality?

However, for some time after the legislation came into force, affected apartment owners did not panic too much. According to the cost benefit analysis, the cost per square metre for retro-strengthening would be \$300. Based on that estimate, the owner of a 100 square metre apartment might have to find \$34,500. But we now know that the average cost per square metre is more like \$3,000, and the average total cost of strengthening an apartment is around \$440,000. It is impossible for most owners to comply without financially ruining themselves and exposing themselves to limitless risks including the loss of their homes.

Everything is pushing apartment owners towards selling as the only way to release themselves from the terrifying trap that they find themselves in. But it is a buyers' market and my research suggests owner will be lucky to get land value.

This is exactly what has happened to me and my partner. Back in 2012, it looked like we would need to pay about \$30,000 as our contribution to the strengthening of our apartment complex. But with each new report from engineers and quantity surveyors the estimated costs rose until by 2018, the total loss estimate for us was around \$1.4m and still rising. Obviously, we could not comply by strengthening. The owners in our complex are intending to sell. For my partner and I this will not only mean the loss of a perfectly good home that we intended to live in for the rest of our lives, but the decimation of our capital. With the sale proceeds, we may not be able to buy another home, any home, not just another home the same as one we have lost. And what good will our sacrifice achieve? None.

Inner City Wellington and others have been raising concerns about the consequences of the legislation for apartment owners since before the amendments passed into law and have since redoubled their efforts as the scandalous reality has unfolded.

However, the Minister for Building and Construction is not listening. She will not meet any of us and her responses to letters from desperate apartment owners betray a breath-taking lack of awareness about what is really going on. She repeatedly justifies the difficulties that apartment owners are facing by saying that *the new earthquake-prone building system seeks to balance life safety, costs and impacts on heritage*.

This mantra is meaningless. It is a smokescreen to hide a regulatory regime that is riddled with flaws. We can show the Minister that there is no balance between life safety and costs. It is disappointing that a government that promotes concepts like a wellbeing budget, and values such as kindness and fairness, is ignoring the evidence that there is something very, very wrong here.

What is wrong here includes a serious issue that the Minister should be well aware of. Insurers are now not offering full replacement cover for multi-owner residential buildings in high seismic risk areas. Strengthening makes no difference as insurers do not take any notice of NBS ratings, so it is ridiculous for the Government and the Council to expect owners to retro-strengthen when there is no guarantee that insurance would be available if that was done.

Wellington City Council politicians persist in defending the legislation and the Council's implementation of it, even though they know perfectly well that apartment owners simply cannot comply. But it suits them that apartment owners are being forced to sell to developers who will build the higher-density developments the Council wants, when what they should be doing is their proper job, representing the interests of ratepayers by telling Government that the legislation is unreasonable and unfair as far as apartment owners are concerned, and looking for alternative solutions.

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### **Summary of the problem**

The inclusion of multi-owner residential buildings in the scope of the earthquake-prone buildings legislation is unreasonable, unfair, harmful and morally indefensible because:

- Public safety measures are public goods. Externalising responsibility for them to private individuals sets a chilling precedent.
- The legislation legalises the extortionate asset stripping of hundreds perhaps thousands of apartment owners and their families and will inevitably ruin many, many more lives than it could ever save.
- Apartment owners are being treated as if they were owners of individual public or commercial buildings whose responsibilities, interests and ability to recoup costs and bear risks are quite different to those of private apartment owners.
- If legislation can be introduced to force apartment owners to upgrade their homes to whatever standard the government chooses, the principle whereby a building that met the code when it was built or significantly altered does not have to upgrade to subsequent standards unless it is significantly altered, has been discarded putting the

country on notice that there is a new perpetual, unpredictable and uninsurable risk to being an apartment home owner.

- Whilst no-one disputes that owners of any building should secure external elements that may fall on someone on an earthquake, the legislation removes the right of apartment owners to make their own judgements about the degree of risk they are prepared to live with.
- Blatant inconsistency in government policy adds to the distress of affected apartment owners. It is so unfair that apartment owners must incur immediate and lifetime losses that could amount to as much as \$1m, ostensibly to reduce the very tiny risk that their building might one day collapse onto members of the public, yet the owners of assault weapons are, as the police minister says, having their property rights respected, and are paid market rates for their weapons, to remove the tiny risk that one of them might one day be used to commit murder.
- The legislation is trying to achieve the unachievable. A policy of forcing home owners to do it themselves, pay for it themselves, and bear all the consequences themselves is patently ridiculous. It is a model not used in any other sphere in New Zealand, and not used in any other earthquake-prone jurisdiction in the world.
- Hundreds of home owners and their families are currently trapped in the earthquake-prone buildings regime (around 332 apartments in Wellington alone), with no way out that will not incur immediate and lifetime financial losses. Hundreds more apartment owners will find themselves in the same situation as the legislation rolls out to Auckland and smaller cities around the country.
- The attached flow chart summarises the risks of owning an apartment in New Zealand today.

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### **What should the Government do?**

- First it must stop trying to defend the indefensible. It must consider the facts and reconsider the legislation.
- Multi-owner residential buildings should be removed from the scope of the earthquake-prone building legislation.
- Removing these buildings from the scope of the legislation would have little if any impact on public safety outcomes. Multi-owner residential buildings probably only account for around 7% of all earthquake-prone buildings and market forces would see many of them removed from the building stock over less than 75 years anyway.
- If Government and territorial authorities are determined to have these buildings strengthened or removed, they should offer incentives to encourage apartment owners to retro-strengthen voluntarily, form their own entities to demolish and redevelop, or sell for redevelopment.



- A package of practical assistance and compensation, including an offer to purchase, should be provided to allow those apartment owners currently trapped in the EPB regime to exit the regime without losses.
- A scheme should be provided to compensate those apartment owners who have already complied with the legislation or sold their buildings, for any losses they have incurred.
- And in the longer term, serious consideration should be given to the protection of private property rights in the Bill of Rights Act.

I am asking the Government to give the plight of affected apartment owners urgent attention, to look afresh at the legislation as it affects us, to test it against regulatory good practice<sup>2</sup> and its own values, and to respond to apartment owners constructively. We are not the enemy. We are innocent victims.

Those of us who have done the research have a huge amount of material available that supports our case and also ideas for what the solutions could look like. We are ready to share, if Government wants to listen and learn and deal with this issue before it becomes an even bigger scandal.

**Hazel Kirkham**

1 December 2019

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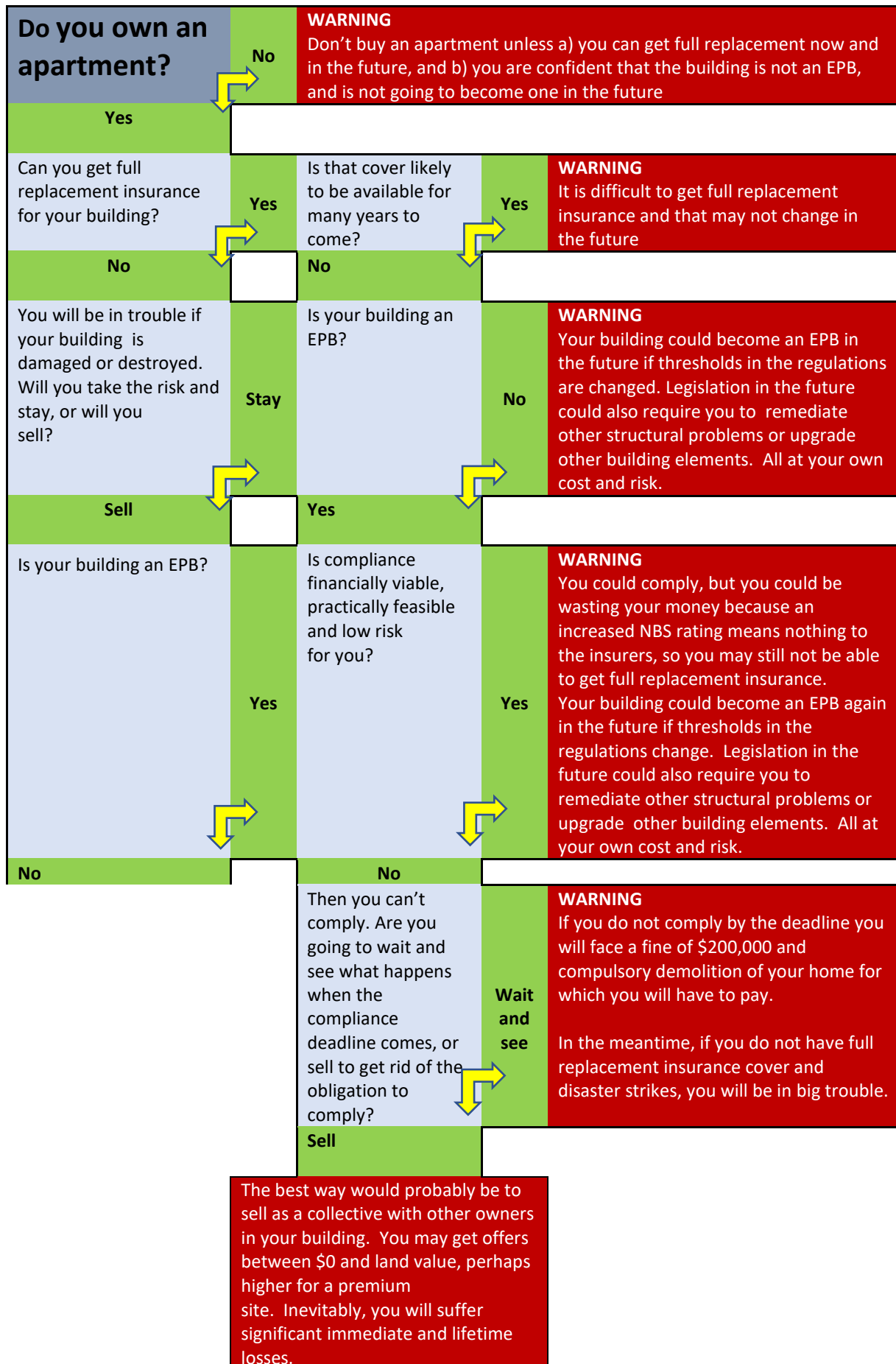
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**See flow chart attached.**

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<sup>2</sup> <https://treasury.govt.nz/sites/default/files/2015-09/good-reg-practice.pdf>

# The risks of owning an apartment in New Zealand



## Owner 2

### Introduction

As an owner-occupier in an Earthquake Prone (EQP) building, I would like to thank the Governance and Administration Select Committee for allowing me the opportunity to submit on the ICW petitions.

Amendments to the Building Act of 2004 set new standards of strength in multi-level buildings across the country, so that in the event of earthquakes the structures would better protect people.

This legislation enacted to deliver a greater public good has in the process condemned my once compliant home (when I purchased it in 2005), my neighbours' homes and many other homes across Wellington city. If we don't fork out the many tens of thousands, if not hundreds of thousands of dollars required to remediate in the set timeframes, our homes will require demolition at our own cost.

The challenges of no access to funding for EQP Buildings, pressures of spiralling costs like insurance, consultants fees, let alone construction costs and ill-equipped Body Corporates forced to manage a complex construction project, have all been thrust upon us. All the more made difficult in an environment of absolutely no support from central and local government for multi-residential unit buildings.

As a single person on a single income, I chose to live in an apartment as a way of living economically within my means. Given the costs I have been forced to incur in order to comply with the legislation, has made a mockery of this.

Furthermore, how is it in the earthquakes near Wellington of the last few years, we have seen new buildings of significant NBS levels fail, yet older structures have remained standing, without damage? Has the government correctly identified the "real" risk of structures to people's lives? It begs the question.

Nonetheless, in doing the right thing for the nation our government, our protector, has also been complicit in sacrificing others. Where is our protection? Is this the New Zealand we now live in? Overnight, the government changes the base line and you too will be left to deal with the fall-out that comes. How can legislation be enacted, promoted as being put in place for the greater good, be at the same time so punitive for those of us in the wrong place at the wrong time?

## Our situation

|   |   |
|---|---|
| <b>About the building and owners</b>    | <ul style="list-style-type: none"> <li>• Purpose built reinforced concrete residential block circa 1927 of 3 stories in height with part basement.</li> <li>• 7 owners who are a mix of owner-occupiers and investors, with half being of retirement age.</li> <li>• Two owners are bearing the responsibility and personal stress of the investigation work as others do not have the capability, or personal circumstances do not allow.</li> </ul>   |
| <b>Costs and investigations to date</b> | <ul style="list-style-type: none"> <li>• Two detailed seismic assessments were undertaken (2013, 2017) at a cost of ~\$77,000.</li> <li>• The second report was required as the first engineer passed away, but was also under investigation by Engineering NZ. A fact known to those in the sector, but not to residential home owners.</li> <li>• Insurance costs have increased around 290% in 8 years, with the latest increase bringing it to \$7,000 per owner, per annum. Insurance is now 80% of building's annual operating budget.</li> </ul>   |
| <b>Costs of next stages</b>             | <ul style="list-style-type: none"> <li>• Estimate of further \$25,000 to further develop the concept solution, to establish indicative costs to comply.</li> <li>• Initial estimates are \$100,000 per owner to achieve around 70% NBS.</li> </ul>  |
| <b>Impacts</b>                          | <p>Owners have agreed to sell once the concept solution work is completed. They recognise they will lose money, but the decision has been taken due to:</p> <ul style="list-style-type: none"> <li>• Cannot afford ongoing insurance cost increases and ongoing costs for EPB investigation.</li> <li>• There are no funds available for maintenance which has been long deferred.</li> <li>• Owners are ill-equipped to manage the project, as no assistance has been provided and are at the mercy of costly advisors with no guarantees of quality of advice.</li> <li>• Stress and anxiety for owners has become too much.</li> <li>• Risks associated with remediation are too high as it is unlikely fixed price construction contracts will be given, there is great uncertainty over construction sector and lack of protections there-in, as well as the continual law and regulatory changes that keeps the baseline moving.</li> </ul> |

## **Tony Simpson (Owner 3)**

7 December 2019

### **LIVING IN CENTRAL WELLINGTON & EARTHQUAKE STRENGTHENING**

My name is Anthony (Tony) Simpson. I am a retired public servant and published writer on matters mainly relating to the social and cultural history of New Zealand. I was born here in 1945, and have lived mostly in Wellington since 1968.

Since returning to this country in 1979 from living in London for a few years, I have been living in various parts of inner city Wellington but mostly in the Aro Valley, where I currently dwell in a purpose built block of flats dating from 1928. This has been my home for almost three decades. When I first purchased the current lease I was regarded as a harmless eccentric for living in such circumstances, although this has become an increasingly popular option. When I first moved here I made enquiries of a professional engineer as to the conformity of the building to the then requirements of the earthquake code and was advised it fell within those requirements. I therefore decided that it would do very well in due course as my ultimate place of retirement.

Over the years I have not only enjoyed the amenities of life in the inner city – cultural, social, and entertainment-wise – and continue to do so, but I have been able to dispense with a motor vehicle (I last owned a car in 1978) and I have utilized the readily available buses and taxis to best advantage. My son and his family live within easy walking distance which adds to my pleasure. As I have grown older my health has deteriorated in some ways, and I am also in easy reach of medical services, including the hospital which I am obliged to attend for therapeutic treatment at regular intervals. In addition I have, during my higher earning years, been able to invest in refurbishment of my flat; I have re-done the bathroom and kitchen and built in a certain amount of custom furniture.

It was all very much as I planned for my retirement when along came the requirements of legislation to strengthen this apartment building against a perceived earthquake threat. That threat may or may not be real; some of us are skeptical of its likelihood, living as we do in a building which has survived some major shakes in the past with no apparent negative effects. But we are law abiding citizens and so we have collectively as building owners set in place a system and funding for meeting requirements. Unfortunately as the years have passed the estimated costs of those requirements have increased exponentially, and many of us in the building have found that there is little prospect of us meeting the financial burden of re-strengthening by the deadline. There is a growing apprehension that quite a number of inner city dwellers are in the same boat.

There is a complex of reasons for this. We do not have the income to meet the costs involved. We cannot borrow because we are too old, or because the financial institutions to whom we might turn will not lend because we cannot get insurance cover for a loan on an at risk building. We cannot sell our apartments because of the earthquake risk factor, and even if we did so we would have to sell at far below a market value, which would leave us with insufficient capital to enable us to purchase

a property of the same or similar modest standard elsewhere, even well out into the suburbs. All of our retirement plans have gone out the window, and people like me, approaching eighty years of age as time runs out, will have the option only to try and start again to create the basics of living for ourselves. This is a daunting prospect and is not the old age I thought my country offered me and for which I thought I was making prudent provision.

Unfortunately it is even worse. Someone else of my acquaintance in a similar situation recently wrote and asked city officials what would happen if, six years from now they could not meet the Council's requirements. They were told that a fence would be built to exclude them from their home, that they would be prosecuted and fined up to a maximum of two hundred thousand dollars, that the necessary refurbishment work would be carried out despite them and charged to them, and presumably they would be sued for debt to meet the expenditure if they did not pay up. When I saw this in writing I could hardly believe my own eyes, that a public official could address such a threatening and insensitive message to an older citizen who is worried sick about the situation in which they find themselves. As an attitude it would not be out of place in the works of Charles Dickens, but it has no place in twenty first century New Zealand.

I am perfectly well aware that the provisions they are quoting are from the Building Act but these are designed, surely, for the obdurate who refuse to obey the requirements of the law. This is not the case with me or others like me; as I remarked above we are law abiding citizens who *cannot* meet the requirements of the Building Act relating to the earthquake strengthening despite attempts to do so, who are now told that we will be excluded from our homes and put out in the street if we do not, and charged for it afterwards. If that transpires where are we expected to go?

The problem is ultimately as I have been able to analyse it, that the legislative requirements that have led to this situation are predicated on a false assumption. This is that property owned in the inner city is either commercial in a business location sense, or is a commercial investment to create rental income, and therefore any increased costs can be met from an increase in commercial revenues. It does not allow that people might own modest flats and live there as a lifestyle choice, that they have purchased their dwelling in good faith and in conformity with the prevailing regulations at the time they bought them, and that as a consequence of changes made they have no means to fund or underwrite the structural work at the level being demanded. As far as I am aware no other group of citizens is having this sort of demand made of them to meet such a level of costs arising from an unexpected requirement of government. If the authorities are going to move the goal posts to meet a public safety requirement, then I would have thought it follows that the costs involved should lie with the authorities imposing the new rules and not with the individuals affected.

I would be glad, therefore, to have you review this situation in which, to my certain knowledge, quite a number of your citizens find themselves.

**Tony Simpson – December 2019**

## Owner 4

### PERSONAL SUBMISSION

#### Background

This is a personal submission from a retired superannuitant in their mid-70s with an apartment in a residential building in Wellington Central. The building contains 17 units and is on the Wellington City Council (WCC) heritage list.

The submission supports Inner City Wellington's petitions to Parliament and in particular "That the House of Representatives provide comprehensive financial, technical and advisory support interventions for residential owners in earthquake prone buildings facing significant financial costs and personal stress to comply with the current earthquake-prone building legislation."

The submission is based on more than 10 years of involvement with the building's seismic remediation issues and strongly supports Inner City Wellington's conclusions that:

"The Building Act 2004 (Part 2, subpart 6A) creates an injustice for residential apartment owners by forcing them to manage, fund and bear the risk of large construction projects. (And that)

"Interventions should include an authoritative assessment body, a technical and legal advice service, retrospective compensation for use of private funds and loss of value, loans and an insurance guarantee for strengthened buildings."

#### A brief history of a long journey

In May 2007, the building's Body Corporate received a letter from WCC advising that it had been assessed as not meeting a 34%NBS threshold and was deemed earthquake-prone.

Between 2007 and 2008, owners commissioned a detailed seismic assessment (DSA) and a concept strengthening scheme. The total cost of strengthening to 34%NBS was estimated to be \$500,000 at the time and levies were increased to begin accumulating funds. The Body Corporate formally notified WCC of the engineer's findings in July 2008.

In August 2010, owners received a notice from WCC under section 124 of the Building Act formally registering their building as earthquake prone and requiring remediation by August 2025 (15 years later).

#### Owners took early steps to remediate

The initial engineer withdrew from the consulting role around 2010 and another engineer was commissioned to investigate a remediation process. Reports from the new engineer indicated costs of \$1.1 million to reach 34%NBS (approximately double the initial estimate) and \$3.6 million to reach 67%. The Body Corporate began looking at further funding options.

### **Canterbury earthquakes disrupted progress**

After the Canterbury earthquakes in 2010/11, advice from industry professionals recommended waiting until the outcome of the Royal Commission of Inquiry and all the consequences from Christchurch had been worked through.

### **Owners began a joint study**

Following the release of the EQB policy review in August 2013 the Body Corporate commenced investigating options with its neighbours as the buildings involved could benefit from a complementary programme of remediation. The joint study entailed a large investment of owner time and energy in internal coordination, and additional costs for engineering studies and QS reports. It reviewed possibilities for selling, redevelopment or strengthening to 67% NBS. The review proved inconclusive and in mid 2015 the BCs decided to defer further action at that stage.

### **The 2016 Kaikōura earthquake marked a significant shift**

The deferment did not last long. The Kaikōura earthquake prompted the government's 2017 Order in Council requiring unreinforced masonry (URM) frontages and facades to be strengthened by March 2018.

For cost-saving and efficiency reasons the Body Corporate and its neighbours decided to investigate meeting URM objectives through full strengthening of buildings rather than a limited frontage project alone. They began work immediately in the expectation that WCC would provide latitude with respect to completion time, provided that work was demonstrably underway.

By late 2017, a full engineering report had been initiated and a project manager had been appointed. Owners agreed in principle to progress along comprehensive lines but early in 2018 WCC made it clear that a standalone URM project would be required as government deadlines would be enforced. In consequence, the full remediation idea was put on hold and work proceeded on a URM frontage project which met the September 2018 deadline.

### **Over ten years after starting, remediation remains on the agenda**

With the costs for remediation escalating, options have been explored with regard to selling the buildings outright for development, or for owners to pursue redevelopment themselves. However, it has become clear that the owners did not have the resources or skills to undertake a redevelopment project themselves, that there were no prospective buyers willing to purchase and redevelop the site as a whole, and that there was no realistic interest in the purchase of individual unremediated apartments.

A Body Corporate levy was raised in 2018 to cover owners' share of costs for the URM remediation completed that year. In 2019 owners agreed to initiate their own comprehensive remediation project and a second levy for the multimillion dollar fund required for professional and contractor services was raised. Decisions are awaited from neighbours on their future intentions but for themselves the Body Corporate's own owners have now obtained building consents and preparatory work have begun.



Owners who were occupants of the building have been relocating to other homes while work is underway. One outcome is that there are now apartments in the central city which will be worksites rather than accommodation for many months, putting increasing pressure on the city's rental market. Another is that significant additional travel, accommodation, storage and financing costs are being incurred by most owners.

### **The availability of industry expertise is an issue**

Over time the project has engaged the services of three separate engineers, two project managers and two quantity surveyors. Experience suggests that the URM requirements, with everything having a common deadline and competing for the same resources, may not have set the best precedent. Prices went up as contractors became less available and expertise became more difficult to find.

It appears that little attention has been given at any stage to the resources available to deliver an ambitious government programme of seismic remediation. There have been big changes in the construction sector as companies have folded, labour shortages have become apparent, and the climate of building has changed. We are told that contractors are increasingly reluctant to work with fixed tenders, and owners are being required to set up forms of negotiated agreement that have more risk in them and require greater technical understanding. Banking and insurance sector policies have also been subject to review.

### **A lack of detailed guidance and clear process also hinders remediation**

Throughout the process, advice has been sought from WCC and industry professionals. Although owners rate WCC staff as generally supportive, they also feel they have not been resourced to be the source of comprehensive advice that is needed, are more often a signpost rather than a highway, and have been required to fill a dominant parallel role of trying to "get people through the gates".

At times it appeared also that aspects of the processes involved were still being developed as they were being implemented. For owners, few of whom have building experience or staff resources to help with administrative processes, navigating through complex building projects is a huge challenge and has placed a very significant demand on both personal time and the working day. In some cases, that challenge has lasted for years.

Every EQPB has to invent its own process. There is no template, there is no source of dispassionate advice, there is no mentor and frequently there is little by way of statistical or analytical information. As a result affected owners spend a significant part of most days living with uncertainty.

### **Equity issues in resourcing public safety should be taken into account**

By 2018, the estimated cost to the Body Corporate for seismic related services since the start in 2008 probably exceeded \$200,000, shared across 16 owners. This included the cost for engineers, project managers, QS reports and URM construction.

Owners are now facing a multimillion expenditure on a complex engineering project that could take the best part of a year to complete and will inevitably contain variables, some of which could be difficult to predict in advance and may have cost implications. The

expectation that small groups of citizens from the background of daily life should shoulder responsibilities of such magnitude, unaided and largely in the interests of public safety, is not a reasonable one.

Funding aside, there has been also a very substantial ongoing contribution of labour from a key group of owners, which does not get counted within the frame of hard costing. This owner is not alone in devoting many hours each week over the past three years to finding a way forward, which has compromised personal and family life in late retirement, been a source of daily anxiety and has had health consequences. Fellow owners with full time jobs to manage have faced their own complex challenges as they too try to support the common interests of their residential collective.

There is a sense of unreality in the margin between official assessments of likely seismic remediation costs and the hard facts of delivery.

Considering that a main aim of EPB policy is to increase public safety and preserve urban infrastructure, and the fact that there has been large public investment in post-quake recovery programmes in the South Island for such reasons, there are strong arguments in favour of public sector cost sharing in pre-quake contexts as well as post-quake recovery. Such cost sharing worked well in the case of the URM programme and enabled the engagement of the homeowners involved in the process.

#### **Multi-owner residential building owners struggle with remediation**

Residential owners may respect the aims of urban resilience but the practical reality is that the costs involved are extreme for all and out of reach for many and that the complexity of the processes has a very significant impact on those unlucky enough to find themselves navigating them. And that is the underlying reason for the Inner City Wellington Parliamentary petitions.

December 2019

## Owner 5

### **Submission on the earthquake strengthening of buildings in Wellington**

I write to express my increasing dismay at the amount of money I have to find to pay for earthquake strengthening of the apartment block in central Wellington in which I own an apartment.

The costs for this are escalating year by year, and each owner has already contributed over \$30,000 for consultant and engineer reports, and no work has yet started on the strengthening project.

I find it an immense financial burden, and it just feels like a bottomless money pit that we wage and salary earners are expected to keep pouring our limited resources into.

Please note my disappointment in the lack of support provided by Council and government who have essentially thrown these major projects onto ordinary rate and taxpayers who are ill-equipped to competently deal with such demands. The whole fiasco is ridiculous, at least for buildings like ours that have been around for years and withstood many earthquakes.

The older, solidly constructed buildings will outlive us all, unlike the newer buildings that crumbled in the last earthquake. Perhaps the spotlight should be more on how and why the more recent building codes and council consents seem to fly through with little interrogation of their viability and safety.

The amounts of money being demanded by the state of ordinary citizens are extortionate. I can think of no other instance where individual, law abiding citizens of relatively modest means are being pressured in this way.

I sincerely and genuinely request that you reconsider this policy, as it is having severe impacts on ordinary taxpayers.

## Chris Bolton (Owner 6)

### **Submission to the Governance and Administration Select Committee From Chris Bolton, owner of an apartment in Wellington**

I am an owner in a Wellington apartment block that has been identified as earthquake prone. In the seven years since we received the notice, the cost of strengthening to the required standard has ballooned to the point where it is no longer a viable option. As a result, I and my fellow owners stand to lose almost everything.

For me and the owners of dozens of buildings in Wellington that are deemed to be at risk, being put on the earthquake-prone list has been a life-changing event. Our homes and investments have been condemned at a stroke. The financial impact and disruption have been like a devastating earthquake, without such an event ever having taken place.

Our Body Corporate committee have worked tirelessly, with no help from the government or elsewhere, to find solutions to the crisis. *Why should this be our job?* We are not experts. It has all meant an unnecessary amount of guesswork and trial and error, costing us time and money. We have spent vast sums on additional assessments and engineering reports. The consensus among owners was to have the strengthening work completed as soon as practically possible, so we could all get on with our lives. However, recently it has become obvious that the cost of strengthening the building to the required 34% NBS level – let alone above that – is prohibitive. That is despite the fact that severe seismic events have occurred since our notice was issued, and they have caused only minor, superficial damage to our property.

The more I think about government policy on earthquake-prone buildings, the more absurd it seems. Has anybody attempted to estimate the likelihood of an individual losing their life in an earthquake, in a building that currently fails to meet the required NBS level in, say, a 20-year period? Even in a city as seismically active as Wellington, this probability must be very small, certainly far less than 1 per cent. Compare that to the *100 per cent probability of an owner's life being radically changed for the worse* and this policy begins to look crazy. There are some other questions that need to be asked. Why the 1976 cut-off? Some buildings in the Wellington region built well after that date were irreparably damaged in the 2016 Kaikoura quake, while ours only sustained minor damage. Why was one-third of the current NBS chosen as the critical value which a building must exceed? It seems arbitrary, and at any rate, seismic assessment is not an exact science. Different assessors use different methods and techniques, and arrive at different NBS scores, as we have found out. Perhaps most importantly, standalone properties are not assessed for seismic risk at all, so those for whom apartments are a sensible option (often those who are single and relatively young) are unfairly discriminated against. In short, none of this makes any sense, and it is grossly unfair.

I have contacted MPs to convince them to rethink their policy that has put us in such a desperate situation, but so far I have got nowhere. My latest reply from a Labour MP might as well have been: "This is our policy. It is final. You may not question it. Now deal with it." For a Labour MP, whose

party gained power by promising a more caring society, this is not good enough. The message is loud and clear: *"We don't care at all."*

I am 39 years old. It took me several years of hard work to save for a deposit so I could buy this apartment, which was my first purchase. Unless the government decide that they do care after all, and provide us with some assistance, both practical and financial, it will most certainly be my last.

## Carol Brown (Owner 7)

8 December 2019

### **Submission to Governance and Administration Select Committee augmenting Inner City Wellington's oral submission on petitions concerning EQPB policy**

My name is Carol Brown. This is a personal submission. That said, my situation is not exclusive and many are in my position. We are affected by the quake-strengthening legislation. (I have not stated my address on advice from Inner City Wellington, but am happy to provide it if required by the Committee.)

#### **Immediate Concerns**

I am not convinced the government understands the enormity of what it is asking of a group of private citizens. I am not convinced it realises the impact the quake-strengthening legislation is having on the life and health of those citizens. I consider the legislation to be discriminatory, unfair, unjust. The legislation is wrecking lives.

I am calling for the quake-strengthening legislation to be revoked, reassessed and reworked so that all home-owning private citizens in New Zealand are treated the same.

#### **Personal circumstances**

- I am a healthy, well-educated, good citizen of New Zealand
- I have worked my adult life on a wage at or slightly above the average
- I left the workforce for a time to raise a couple of healthy, well-educated children
- I returned to the workforce and, during this time, started and completed a university degree
- I managed, not easily, to pay off my home and only property, a modest one-bedroom flat, prior to retirement
- I entered retirement debt-free and with modest savings
- I sole-cared for my mother (who had mild dementia) from 2011 to 2017
- My care meant my mother did not enter a rest home until she was 97
- My care meant no government subsidy was required for my mother
- My mother died, November 2017, four months after entering the rest home
- I have no close family ties now in New Zealand
- I wish to join my only remaining child and his family in UK
- The quake-strengthening legislation means I am not free to do what I want; my life is on hold and the stress has impacted my health
- I am now 75 years of age.

#### **General concerns**

- The quake-strengthening legislation appears unique. No other legislation in New Zealand has demanded so much of private citizens.

- There is doubt as to whether the quake-strengthening legislation will deliver what the state wants. It can be considered, in large part, unnecessary. I can offer in support an alternative view, two papers prepared by Ian Harrison (B.C.A. Hons, V.U.W., Master of Public Policy SAIS John Hopkins): viz, *Towards a rational discussion of earthquake strengthening requirements: a critical analysis of the MBIE proposals and EBSS, Evidence Based Seismic Strengthening – Don't mention the law – Review of the new seismic strengthening regulations and methodology.*
- Due consideration has not been given to the effect of the legislation on home-owning private citizens. For example, MBIE estimated the cost of strengthening each unit in New Zealand to be around \$26K. Estimates by Inner City Wellington put the actual cost to be 10 times and more above that initial figure.
- The estimated cost of strengthening my apartment block has gone from between \$1 million - \$2 million to \$3 million - \$4 million.
- Those that determine the quake-strength of a building are those that profit from quake-strengthening.
- The state does not expect all private citizens in New Zealand to strengthen their homes. It is discriminating against a small group of home owners.
- The legislation as it stands, will make some home owners, through no fault of their own, homeless or without retirement savings. (When I bought my flat, late 1980s, the building met the required standard. The building has proved resilient to date.)
- Good citizens who have contributed in various ways to a decent society, should be able to expect a reasonably contented old age. This legislation robs them of that.

### **Conclusion**

Law-abiding citizens of New Zealand have a reasonable expectation that the state will deal fairly with everyone. The expectations on and the rights of every citizen – and in this case every home owner – should be the same. Where a group is singled out for differential treatment, then the reasons must be lawful and just, and remedies / compensation must be offered to off-set any discrimination arising.

As the earthquake strengthening legislation stands, the full weight of state power has descended upon a small group of private citizens. The state is demanding of this small group huge sums of money, understanding of conflicting technical reports, and expertise to oversee a large construction job. We small group of private citizens are not free to live our lives. We are suffering deleterious health effects. We are under the oppression of the state.

I reiterate my request for the quake-strengthening legislation to be revoked and reassessed to address issues of injustice, inequity, and impossibility of compliance.

Sincerely

Carol Brown  
04 3852 607

## Body Corporate Committee Chair and Owner 8

I am the chairperson of the body corporate for an apartment building in Wellington Central. Our building is a converted office building that was originally built in the late 1960s/early 70s. The building, except for the ground floor, which is commercial, was progressively converted to apartments beginning in the late 1990s. The development currently consists of 16 apartments owned by 14 private owners, plus the commercial unit which is owned by another private owner.

I have been the Chair of the Body Corporate since purchasing our apartment and moving in in 2007. The members of the Body Corporate are almost all private individuals who either live in the apartment they own or that rent-out the apartment as their sole investment.

Despite the building being relatively new in Wellington terms it was identified as earthquake prone in 2011. Since that time we have attempted three times to put a scheme in place to address the earthquake prone status of the building.

In 2012 the estimated cost of strengthening the building was around \$600,000, however we were advised by our engineer at the time to wait until the proposed earthquake strengthening legislation at the time was in place – thereby avoiding the possibility of having to restrengthen if the standard was to increase.

Following the setting of the new requirements in 2014, we commissioned a design to strengthen the building to the new standard – which resulted in a proposal estimated to cost around \$2.1 million. At the time we were told the increase in cost was as a result of “the new standard” and “learnings from the Christchurch earthquakes”. The organisation that developed the scheme then went out of business, and to cut “a long story short” we had to start again.

We then commissioned a further design, which we have now almost completed a detailed design, ready for lodging as a consent application. A final estimate has yet to be calculated, however we expect the cost of the full project, including catching up with deferred maintenance, to be in excess of \$4.2 million, just to strengthen the building to 34% NBS, so it will no longer be on the Earthquake Prone Building register.

The cost of getting to this point, not including the cost of the committee’s time is getting close to \$500,000.

Our current hope is to be able to begin construction sometime in 2020, dependant on approval by the Body Corporate (not definite by any means as some owners will not have the necessary funds), the raising of the funds, and a successful consent process.

Our project manager has met with the Wellington City Council a number of times during the preparation of the design. At the initial meeting he was told that the Council wouldn’t accept the proposal as the building would no longer comply if the next lot of legislation increases the standard again. He was told that the Council would only accept a proposal to strengthen to 67%, despite the legal requirement being to strengthen above 34%. We had already abandoned a 67% option as an early estimate had suggested a price of over \$6.7 million. Following a clear message that owners would have no choice but to walk away from the building, the Council has now said that it will accept



the application, but we have no confidence that it will be a straightforward process, given the initial engagement and what we have heard about the experience of others.

One further issue we face is difficulty securing insurance on the building. For the last five years we have only been able to secure indemnity-only insurance on the building and at the end of 2018 we were almost faced with the situation of not being able to obtain insurance at all. We have been able to obtain insurance for 2020, however this is still indemnity only and based on an expectation that strengthening work will start in 2020.

We are a small group of everyday people, who own property to live in or as an investment for retirement. These properties just happen to be in an apartment building (which past governments have encouraged as a means of reducing the cost of infrastructure required to support our large urban areas). We are not “fat cat developers”; just everyday people. The average cost to owners in our building will be at least \$250,000, ten times the original average cost to owners that the original policy was based on.

Apart from the informal support networks among bodies corporate, we have had to navigate all of this by ourselves. For us this has meant having to trust the advice of engineers and there is no way that we can challenge or question the advice we are given. The standards are written by engineers, the means of assessing the strength of buildings are developed by engineers, the designs for strengthening are developed by engineers, designs are peer reviewed by engineers, and councils use engineers to assess proposals.

The cost of construction is increasing by about 5% every year, the standards are increasing all the time and following some of the issues encountered in Christchurch engineers are taking increasingly more conservative approaches to design and we have no choice but to accept all of this if we are to remain compliant and realise some of the value of our investments. Now we are told that the standard could be increased and that we could be required to go through the whole process again.

In the eight years since we started this process, several owners have progressed from working to retirement, yet they are not able to release the value of their investment while the building is considered earthquake prone. Banks will not lend money to potential purchasers. Effectively their investment is locked away until the strengthening process is completed.

## **Jennie Lamerton (Owner 9) and Owner 10**

The owners of our 4 unit apartment building in Wellington are very reluctantly going down the road of trying to sell the building as a whole. The financial costs and difficulties of receiving advice/guidance on our options have come to be overwhelming for us all.

The costs to strengthen our building are almost the same as a complete new build. While we like the idea of building new the council regulations, from our understanding, would mean we may be unable to have the same number of off street carparks, may not be able to build in the same footprint of the existing building, may have restrictions placed on us in terms of the building design – these unknowns are a huge risk and we do not know how to mitigate these and gain some certainty around our options without incurring more and more costs.

We have collectively already spent approximately \$60,000 to date just trying to gain an understanding of what we need to do and yet we still have unanswered questions!

## Owner 11

I write in support of the petition promoted by ICW.

As an owner with my wife of an inner city apartment we are not in a position as retirees to meet the cost of earthquake strengthening. It is simply beyond us.

Also, the building where our apartment is located has withstood such earthquakes as the Seddon and Kaikoura ones and suffered only minor damage none of which was structural in nature. The building coped better than many modern buildings which suggests that the 'one size fits all' rating system needs to be reconsidered.

## Dr Tony Ellis (Owner 12)

**DR TONY ELLIS**  
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# Submission to the Governance and Administration Select Committee

## A Human Rights Law perspective and some personal observations about the Earthquake prone building legislation

11 December 2019

1. My wife and I are the owners (via our Family Trust) of an apartment in a multi-owner Wellington central city building.
2. We have been appalled by what we consider the monstrous steam rolling by the majority of our body corporate (19 owners) to achieve an earthquake upgrade by 2023.
3. Keeping the story as short as possible, the majority of the owners voted to proceed with an earthquake upgrade to 67%NBS from our below 34%NBS rating, some approximately 25% of the ownership voted against this proposal.
4. The cost of this upgrade was to be 6.5 million dollars, the minority commissioned a further seismic study from a new set of engineers.

Those of us who have paid for \$48,500 for the report are pleased with the result. Much cheaper than an unnecessary upgrade for \$6.5 million. We are considering seeking a refund of the payment from the BC.

It says:

Based on the findings from this feasibility assessment (Stage 2), we believe that the seismic rating for the building located at [redacted address] Wellington, will be at least 40%NBS.

5. The result of our spending just under \$50,000 dollars between shared by the three minority members showed that the building was in their view not earthquake prone and would likely have a NBS rating of over 40%. We are

currently attempting to negotiate a contribution to a further \$150,000 we need to get a more detailed seismic analysis and a peer review of the engineer to enable a yellow sticker to be removed from the building.

6. In the Body Corporate haste and disrespect to the minority, an application was made to the City Council for a building and resource consent. It is readily apparent from the scheme and detail of the building act that the responsibility for obtaining an NBS rating of over 34% rests on the owners. But the Body Corporate by its agents purported to, in what I consider in a false and misleading way contrary to s9 of the Fair Trading Act, to be the owners and filed false evidence that they were.
7. Despite pointing this out to Wellington City Council they then issued the building consent. This is seriously disturbing, how many other buildings have been treated in a like manner is currently unknown but we will be seeking to obtain this information from the council.

### **Human Rights**

8. The Unit Titles Act is sadly defective in spelling out any Human Rights protections. It is highly arguable that the NZ Bill of Rights Act protects against arbitrary seizure of property and the mere passing of a resolution of the majority of the Body Corporate is not enough to evict home owners, a tenant would have more protection than a home owner.
9. The cost of upgrading our apartment was approximately \$500,000 and was a similar number for two other owners on our floor (being the minority). How people over 65 are supposed to find these sums so that their neighbours can make a capital gain escapes me, as it no doubt escapes the committees understanding. Besides the question of the NZ Bill of Rights Act and the Unit Titles act there is an international Human Rights perspective to this as well. Eviction from your home is a major and worrying aspect of social legislation and unsurprisingly a matter that has received the attention of the pre-eminent United Nations Human Rights Body – the UN Human Rights Committee.
10. As I am the only NZ lawyer to have ever won any cases before that committee where the government of New Zealand has found to be in breach

of its international obligations, having four times achieved that result, I can speak with some authority on the topic. The General Comment of the UN Human Rights Committee number 16

14. In cases where eviction is considered to be justified, it should be carried out in strict compliance with the relevant provisions of international human rights law and in accordance with general principles of reasonableness and proportionality. In this regard it is especially pertinent to recall General Comment 16 of the Human Rights Committee, relating to article 17 of the International Covenant on Civil and Political Rights, which states that interference with a person's home can only take place "in cases envisaged by the law". The Committee observed that the law "should be in accordance with the provisions, aims and objectives of the Covenant and should be, in any event, reasonable in the particular circumstances". The Committee also indicated that "relevant legislation must specify in detail the precise circumstances in which such interferences may be permitted".

11. In summary, massive sums of money from persons of over pension age to fix a building that is unlikely to be earthquake prone is disturbing. That engineers can be so far apart in their analysis of the %NBS is deeply worrying.
12. That a Government could countenance evictions of law-abiding owners in such circumstances is seriously alarming. Legislative and financial assistance is required to protect owners from the financial and psychological effects of majorities on Body Corporates.

Yours faithfully



**DR TONY ELLIS**  
**BARRISTER**

## A McCrone (Owner 13)

### Submission to the Governance and Administration Select Committee

#### Impact of Earthquake-prone Building Legislation on home owners

From: Owner of an apartment in Wellington

#### Submission

I am an apartment owner in Wellington being forced to sell my home along with everyone in the complex, i.e. the entire building, due to the estimated cost of earthquake strengthening.

This is the result of the Earthquake-prone Buildings strengthening policy which I believe is flawed and disproportionately impacts non-commercial private property owners such as myself.

I am effectively being 'forced' out of my home I love in Wellington Central where I have lived for 20 years. This will result in major financial loss to me, with a lifetime of financial consequences, as well as great stress as I near retirement age. I know that there are many other earthquake-impacted private apartment building owners in a similar, or worse, situation in the Wellington Central area. This will also be the case for other regions in New Zealand.

We have not been slack and have tried really hard to comply with the legislation. Since our building was deemed Earthquake-prone, our Body Corporate has been very proactive and diligent. At considerable time and cost, we have obtained the necessary engineering and geotech reports, sought the best professional and expert advice (e.g. architects, quantity surveyors, commercial property strategists, lawyers, and valuers), and investigated all potential solutions and options to comply with the regulations.

The estimated strengthening cost for our complex (about \$28 million +GST in early 2018) and associated costs (all the related costs such as unavoidable professional fees, building consents, renting while strengthening work is underway whilst still paying rates and mortgages) makes our share of the strengthening costs untenable. There would also be the huge financial and technical risk undertaking such a big project. We are not construction sector professionals. Even if we voted to strengthen, the financial challenges would be considerable - banks may not loan to individuals.

I have written a number of times over the last 2 – 3 years to various Ministers and Government Departments with questions and suggestions for potential actions to support people in my situation. Very little, if anything, of help to people like me has resulted from this. I have had very poor responses to my questions from the Hon Jenny Salesa Minister for Building and Construction and officials. Inner City Wellington and others too have been raising concerns about the consequences of the legislation for building and apartment owners since before the amendments passed into law.

#### Issues and concerns

There are many issues and concerns associated with this Legislation. I outline some below:

- **The legislation impacts private owners**
  - Body Corporates (BCs) are not commercial enterprises, and it is individual owners that have to pay up front for earthquake strengthening without any way to recoup the costs except by selling their property at a future date. However, earthquake strengthening does not afford 'improvements' value to the apartment. It just brings the building up to code.

- **Spiraling construction and materials costs**
  - Costs are going up very fast, way above the inflation rate. We have been told to add 20-30% each year.
- **Availability of experts** (e.g. engineers, architects and construction builders)
  - There is reasonable concern (not helped by the recent news about the dubious ‘use’ of re-enforcing steel in concrete) that the construction industry is under stress, some buildings do not appear to be the highest quality and the timeframes to get strengthening construction underway can have significant delays.
  - The lack of suitably qualified structural engineers, the specialised nature of the work, and under work force will impact on the number of upgrades that may be able to be undertaken, affect costs, and quality of work. And there may be a logjam of applications close to the 15-year termination period of many EPB. The construction sector may struggle to meet the upsurge in demand as the time period for strengthening draws to a close.
  - Will there be enough qualified work force available, with the quality oversight and compliance monitoring in place to cope with the increase in demand/number of buildings that require strengthening?
- **Uncertainties around resource consents**
  - Under the new legislation, when strengthening a building it may be likely that accessibility and fire upgrades will be required. Further adding to the costs and impacting on the building design. We have not had a reliable answer to this.
- **Uncertainties around insurance**
  - Insurance is fast becoming unaffordable for earthquake-prone buildings. Insurance is limited already and does not even cover the rebuild of our apartments now – it is far from sufficient to enable reconstruction and full recovery. We have had significant increases in our insurance premium along with a reduction in cover (not even covering half the estimated cost to rebuild).
  - If the BC only strengthens to the legally required 34% NBS, will the BC be able to get building insurance at all?
  - Indeed the insurance we have only covers a replacement build to 34%NBS which would be illegal – as rebuilds would have to be to a 100% NBS level!! So in effect we do not have sufficient insurance cover and so, along with many other BCs I suspect, are not helping the resilience of our cities.
  - If many buildings are underinsured, or indeed become uninsured, it leaves cities no further ahead and no more ‘resilient’ than prior to the EPB. The impact of a significant event (earthquake, major storm damage etc) will still impact considerably on public funds.
- **Uncertainties around mortgages**
  - Would banks lend on a lower NBS rating than 67%?
  - What is/will be the NBS level banks require?
  - If we can’t get insurance or adequate insurance people may not get mortgages even if the building was strengthened to the legal NBS level?
  - Would banks extend mortgages/lend to fund owners levies for strengthening? The loan-to-value ratios may not support a loan.
  - What happens when apartment owners do not have the money and/or cannot borrow the funds to do the work? Wellington apartment owners have pleaded for financial help.



- **Uncertainties around NBS level**
  - What is the buyers/market preferred level? This helps BCs in their decision making process.
  - What is the BC/Unit Titles Act process, and the legal process, to strengthen above and beyond the 34% NBS? As going above 34% NBS is not required by law, going above what is legally required is a whole different BC voting process not clearly outlined.
  - Will the required NBS change again in the near to medium future - thus potentially catching out BCs that only went to 34% NBS or even perhaps 67% NBS? This may impact very negatively on buildings that have elected for affordability to strengthen to 34% NBS. One of our engineering options to strengthen the building to 34% NBS precluded any further up-grade. If the NBS changed, we would essentially be left with no option but to demolish.
  - People are concerned about the NBS performance. Even new-ish buildings at 100% NBS did not look that resilient considering the way that some performed (and are now being demolished) in the November 2016 Kaikoura earthquake. We had our building checked by our engineers following the 2016 earthquake and were found to be fine.
  
- **Uncertainties around process**
  - Even specialist lawyers are of little help as there are no precedents to go on and the Unit Titles Act was never drafted with this mind. We are getting differing opinions on the same Qs!! There is no central guidance. And I am sure many BCs will have the same Qs and we are therefore paying lawyers multiple times for essentially the same advice.
  - BC are working on a voluntary basis, we are not experts – but we are expected to find technical solutions, determine and navigate the legal pathways to achieve those solutions, find ways to fund the work, and plan multi-million-dollar construction projects with potentially massive risks! WCC, which is responsible for implementing the Building Act, does offer BCs some technical advice on compliance with the building code. Otherwise, there is absolutely no guidance or technical help available for BCs.
  
- **Selling**
  - What is the legal and BC voting process to sell?
  - How is the BC Unit Title dissolved?
  - BCs need help and guidance with the legal process. This is not covered in the UTA and is a further cost we have to cover.
  
- **Demolish and rebuild**
  - There could be the potential to redevelop, however there is no guidance, or process to achieve this. BCs could be helped to form partnerships with developers if this was a good option
  - What would be the process to demolish and rebuild? BCs need help and guidance with the legal process. Every BC/owner has to pay for legal advice – much of which would be required by all BCs/apartment owners.
  - How could a BC become a developer/a partner with a developer? BCs need help, and there would need to be financial guidance and support to achieve such partnerships. And perhaps a dedicated Govt department to help with the resources & planning requirements, and establishing the financial set up. The Government/MBIE could help by supporting BCs to partner with innovative companies such as Ockham Residential with the likes of the Daisy apartments.

- **Residential Earthquake Prone Building Financial Assistance Scheme**
  - The Government announced the Residential Earthquake Prone Building Financial Assistance Scheme – but there has been no information about who and how that fund will run. And as you can see from my situation – one building could take out the whole fund in one swoop.
  - People may be put in the position of servicing a large sum of money atop mortgages – which they may not be able to pay off especially if they are near retirement.
- **Stress**
  - The complexity and financial implications is causing a lot of distress. A number of our owners are nearing the age of retirement and are suffering with sleepless nights over the financial stress of repairing buildings, or not having a home and/or any retirement savings. I am sure many people will be in a similar state of affairs.
  - Many BCs/owners must be in similar situations – who is analysing and monitoring the situation to determine the issues and the magnitude of the situation?
  - Home owners are being left to fend for themselves and work their way through the UTA, without adequate guidance or support. It would be more cost efficient to identify common issues and questions and provide a national set of guidelines to support all BCs.

## Unfairness

I am paying my rates and taxes to support the strengthening or rebuild of public buildings (e.g. the town hall public buildings), and for other schemes where ‘rules’ have changed for people who are being given support to deal with those changes. Examples of help/compensation being given include:

- Earthquake-prone building owners in small towns opting to undertake modest building work;
- Heritage EQUIP supporting seismic strengthening projects for eligible heritage buildings;
- Unreinforced masonry parapets and facades strengthening – Unreinforced Masonry Buildings Programme scheme;
- Consideration of a compensation scheme for climate change prone home owners, and
- The gun buy-back scheme.

The Legislation is unfair and flawed. To say many people have been thrown into a life crisis by the legislation is not an overstatement. Through no fault of our own and without any benefits in return, I and many others have had the value of our home taken away and we may lose our home altogether. We face the prospect of colossal debts and uncertain futures, perhaps homelessness.

## What should the Government do?

I ask this Government to find out what is happening urgently. And then equipped with the facts, consider changes to legislation and/or develop creative solutions, before people are forced into life changing decisions they cannot reverse. The Government needs to give the plight of affected apartment owners urgent attention, review the legislation should compensate owners for their losses.

- Review and reconsider the earthquake-prone building legislation - multi-owner residential buildings should be removed from the scope of the earthquake-prone building legislation. Undertake an evaluation of the impacts of the Building (Earthquake-prone buildings) Amendment Act 2016 (EPB) and associated regulations. How many home owners are

affected? Does the Government know the real financial impact of the EPB on apartment owners?

- Identify the common issues and concerns of BCs and develop technical guidance and legal advice to support all BCs. This would help standardise responses and save fees & costs BCs are facing.
- If Government and territorial authorities are determined to have these buildings strengthened or removed, they should offer incentives to encourage apartment owners to retro-strengthen voluntarily, form their own entities to demolish and redevelop, or sell for redevelopment. The Government should establish a public entity to undertake strengthening directly, with the aim that economies of scale (doing multiple buildings at the same time and with the same technology) will make the retrofitting significantly cheaper for everyone. Having a specific construction sector that specialises in seismic retrofits would have the economics of scale.
- Proved practical assistance and compensation, including an offer to purchase, should be provided to allow those apartment owners currently trapped in the EPB regime to exit the regime without losses.
- A scheme should be provided to compensate those apartment owners who have already complied with the legislation or have had to sell their homes/their buildings, for any losses they have incurred.

Thank you for the opportunity to make a submission.

A McCrone

Wellington apartment owner

## Roger Walker (Owner 14)

### SUBMISSION IN SUPPORT of INNER CITY WELLINGTON

In the late 1990's I fell for a beautiful brick building in the CBD, which is reminiscent of a Melbourne Laneway. It has fantastic walkable connections to inner city shops, restaurants and parks.

My apartment is in a 1921 building in the CBD. Because the building was converted from a warehouse into 19 residential units, the developer was required, because of the change of use, to earthquake strengthen the building. It was so strengthened to comply with NZS 1965 Chapter 8, the Code applying at that time.

All was well and happy until the Christchurch earthquakes.

'Poor Christchurch' I thought. But little did I realise that the effects of those earthquakes was to so be experienced in Wellington.

Despite the majority of loss of life occurred in relatively modern buildings in Christchurch, zealous officials now deem buildings such as our building to be earthquake prone. Unfairly our building is described as an unreinforced masonry (URM) building, when in fact considerable work and cost was incurred in 2000 inserting new steel column, beam and cross braced elements, together with new concrete and blockwork.

In my view, the new earthquake codes are an overreaction. For instance, Art deco buildings built after New Zealand's most devastating earthquake in Napier in 1931 are now 'earthquake prone' In the 80 odd year period between the Napier and Christchurch events, less than 500 deaths are attributable to earthquakes. Whilst not making light of loss of life, there were over 30,000 road fatalities during that period. To be consistent with dealing with 'risk', we should reduce the speed limit to 30km/hr and require flimsy modern vehicles to be built like tanks.

Our 'earthquake risk' building along with several in Cuba, Blair, Ghuznee and Allen Streets suffered no damage at the hands of the Richter 7.8 Kaikoura/Seddon earthquake. Several modern buildings have had to be demolished following the event, and many of the engineers responsible for these failures are now advising the Wellington City Council on how to meet the new codes.

The Tea Store has stood undamaged for 98 years, the Bond Store for 100 years, and the Watkins building at the corner of Cuba and Vivian St for 112 years. A new building in lower Cuba St. is being advertised as 'built to stand the test of time'. Whatever does that mean?

However back to my predicament, Inner City Wellington has identified a large number of affected owners of apartments similar to mine. Frequently lay people observe 'that when you bought your brick building in the city you should have known that it needed strengthening' and further there is the erroneous perception that people like us are wealthy and can easily afford seismic upgrade because we live in the inner city.

It is completely not our fault and patently unfair that the goalposts have been moved. We have a limited amount of time to either demolish or upgrade. We complied with legislation requiring us to strengthen our parapets and facades because our street has been identified as a high foot traffic area.

As a heritage building the Section 124 Notice on our front door misrepresents our position as we cannot demolish our building.

In no way did I anticipate that at my time of life I am expected to bear a financially devastating burden of a multi-million dollar upgrade. If we do not do as we are told, we could be thrown out on the street, lose the value of our asset and face hefty fines.

There is a real threat to the viability of the inner city, whose residents support a lot of the hospitality and public activities in the city. With these residents forced to abandon life in the inner city, it will surely lose its vibrancy.

A further point is that Heritage buildings are so designated so as to be a valuable part of the city fabric, with their character preserved for the enjoyment of future generations. For owners to have to finance this public benefit out of their own pocket is patently and grossly unfair. We pay our taxes and our not inconsiderable rates.

We are trapped in a situation completely not of our making and we need substantial assistance, not just token subsidies of professional fees.

Roger Walker Architect  
NZOM ,B.Arch(hons) CFNZIA

## Body Corporate Chair and Committee Member (Owner 15, Owner 16)

### Seismic upgrade case study

December 2019

#### Key points

- A 28-unit residential apartment building in Wellington is earthquake-prone
- The cost to strengthen it to 67% of the New Building Standard is \$240,000<sup>3</sup> per owner
- The apartments are the major asset and home of most owners
- Most owners are people on low-to-medium incomes and most are over 60 years old
- The body corporate committee has been actively working toward becoming compliant for more than seven years and has already spent more than \$200,000 on this work
- The committee currently can't see a viable path toward funding this project
- Owners feels stressed and trapped
- The costs far exceed the benefits to owners – the case for government support is strong.

#### Purpose

This document intends to:

- provide an overview of the time, money and effort put in by owners of an earthquake- prone building to obtain a detailed design and cost to strengthen
- illustrate the challenges owners currently face in seeing the strengthening job to completion before April 2030.

#### Strengthening overview

This 28-unit, two-bedroom apartment building was built in 1970 and is seven stories high. It was deemed by the Wellington City Council to be an earthquake-prone building in 2010 and given a deadline to strengthen by 2030.

The committee has been working towards strengthening the building to 67% of the New Building Standard (NBS) since 2012. This has involved sustained work with our owners, project managers, structural and geotechnical engineers, quantity surveyors, banks and lawyers. During this time, strengthening the building has been costed three times:

- 2013: Rough order of costs - \$30,000 per owner
- 2015: Preliminary design - \$61,000 per owner
- 2019: Detailed design - \$240,000 per owner.

The reasons given for the most recent increase in costs:

- There is high demand in the construction market
- There has been general inflation since 2015
- There has been an increase in the loadings used by engineers, following the 2016 Kaikoura earthquake.
- The ground is in poorer condition than originally assumed
- The reinforcing used in the internal walls is poorer than originally assumed
- Additional requirements have arisen, such as relocation of services, work to enable access to the site for heavy machinery, and some items of deferred maintenance.

See [Appendix: Breakdown of costing from quantity surveyor](#) for a cost breakdown.

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<sup>3</sup> All figures in this document include GST

## Breakdown and description of current owners

### People

This building has a history of being owner-occupied by people of limited means. This includes:

- people who live alone
- people for whom this is their first home
- retirees/downsizers
- beneficiaries
- people in low-income work.

Many owners fit into more than one of the above groups. For most owners, their apartment is their major asset.

### Community

The building has an active body corporate committee which currently has high trust with most of the owner group. There is a good community feeling in the building.

### Rate of occupation of owners

More than half of the apartment owners are owner-occupiers.

**Note:** Only three current owners have never lived in the building. Those who no longer live there have moved on for family or work reasons. Only one apartment has changed hands since 2011 due to the difficulty in successfully marketing an earthquake-prone property.

### Age groups

We estimate that more than half of all owners are over 60 years old.

### Ability to borrow

#### Serviceability

We estimate that more than 2/3 of owners earn at or below the average income.

#### Loan to value ratio

- At least 20 owners have existing borrowing on their property. See [Timeline of events](#) for more detail on the reasons for this.
- Valuation advice indicates that a completed apartment would achieve a price of around \$420,000 in today's market.
- We expect that, if applying for further borrowing, there will be owners who will exceed a bank's applicable loan to value ratio.

### Financial impact

The cost of the seismic upgrade will almost certainly be higher than any uplift in value. The current average rateable value<sup>4</sup> for an apartment is around \$350,000. Funding this project will erode a substantial amount of the equity that owners currently hold in their apartments. For most owners this will affect their major asset. This will severely limit the options they will have in the future. Given the age of many of the owners, they will struggle to recover from this.

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<sup>4</sup> The rateable value was set in September 2018

## Timeline of events

The following list is a timeline of relevant events in the history of the building. All figures include GST.

### 1969-70

Building is built for retired people of modest means. It has two unique features as an asset:

- It is on leasehold land
- Its legal structure is 'company share', where people own shares in a flat-owning company and have a licence to occupy their home.

**Note:** Traditionally company share buildings have a requirement to be owner-occupied. This rule was in the constitution of company.

### 2005

The board develops the building's first maintenance plan. The first major project is the replacement of all the aging steel windows in the building.

### 2008

- Our land rent triples after a seven-year rent review.
- The Global Financial Crisis hits. As a result, Westpac – the only major retail bank willing to lend against company shares – lowers its LVR on company shares from 80% to 65%.

### 2009-11

The company replaces all the windows in the building. This is funded by a special levy of \$46,000 on all owners.

### 2010

The building is notified as being earthquake prone by the Wellington City Council and given a deadline of 2030 to strengthen by.

### 2011

- The February 22 Christchurch earthquake strikes. Buyers in the property market in Wellington become acutely aware of the risk of building collapse and earthquake-prone buildings are regarded as a safety and financial risk.
- Apartments begin to be difficult to sell, after previously turning over at 3-4/year.
- The board stops enforcing the owner-occupier rule due to inability of owners to sell.

### 2012

Work begins in earnest on navigating a way out of the challenges we face. It is proposed to owners that we work toward doing the following:

1. Acquire the freehold interest in the land
2. Convert the company to unit title status
3. Begin work on seismic strengthening project.

**Note:** Items one and two are enablers of three as they make apartments more attractive to lenders and buyers by de-risking them, raising the loan to value ratio that can be applied to them, and opening the range of banks who will lend on them.



## 2013

- Legal work on sale and purchase agreement and conversion to unit title begins. Sale and Purchase Agreement signed with vendor.
- A rough order of costs to strengthen the building is obtained to help with planning for whole exercise. Cost to strengthen is estimated by a quantity surveyor to be **\$30,000** per apartment.

## 2014

Banks are reluctant to lend for the land purchase without a firmer idea of the costs involved in strengthening. The board imposes a special levy of \$5,750 on all owners. This is primarily to offset the cost of the investigation work needed to get to the preliminary design stage.

## 2015

- The building's insurance premium doubles
- Preliminary design and costing completed. The cost to strengthen is now estimated by a quantity surveyor **\$61,000** per apartment.

## 2016

A second Sale and Purchase Agreement to purchase the land is signed as land has increased in value while we have gone through strengthening-related investigation work.

## 2017

We complete the conversion to unit title ownership and land purchase. This is funded by owners at \$71,000 each. Most owners borrow for this, and do so through Westpac's Remediation team – a team set up to deal with the country's leaky building crisis.

20 owners now have borrowing against their apartment. 11 of these owners had existing borrowing in place to fund the windows upgrade and/or purchase the property. Of the remaining 8 people, we understand these funded the land purchase by:

- self-funding from savings (4)
- borrowing against other assets such as a business (3)
- borrowing via family members (1).

## 2018

The detailed design starts. Further investigation work is required. \$90,000 is spent by the body corporate on this work.

## 2019

- The first apartment sells in eight years. Price achieved: \$255,500.  
**Note:** This is purchased before the final costing is issued.
- Detailed design and costing completed. Key points:
  - The cost to strengthen is now **\$240,000** per apartment. The cost has quadrupled since the last estimate. See [Appendix: Breakdown of costing from quantity surveyor](#)
  - There will be an estimated 18-month construction period – twice the duration previously estimated
  - There will be at least four months of major vibration and noise while 15m piles are completed, making apartments likely to be unliveable for people home during the day.

## Current challenges for apartment owners

### How to fund this work

#### Retail bank borrowing

The table below shows the repayment amounts per apartment, per week, on \$240,000 through retail bank borrowing.

| Interest rate | Loan term | Amount per week |
|---------------|-----------|-----------------|
| 4%            | 15 years  | \$408.50        |
|               | 10 years  | \$558.50        |
|               | 5 years   | \$1019.00       |

#### Notes:

- We have assumed a mid-range interest rate based on current main bank rates.
- The loan terms show the likely terms a bank would look at given the ages of the people in building. Westpac has indicated that they will align new lending with current lending loan terms, i.e. an owner with 11 years left on their loan would be assigned the same term to new lending.

With these costs, we believe the following will happen:

- Many, if not most, owners will not be able to access retail lending due a bank's duty to be a responsible lender and not expose borrowers to 'substantial hardship'<sup>5</sup>.
- Those who can access retail lending will immediately sell following the upgrade due to high debt servicing costs which they will not be able to absorb.

#### Suspensory loan scheme borrowing

We are aware that central government has a suspensory loan scheme in the pipeline, which is likely to be aimed at supporting those who will not be able to access retail borrowing. While this news is very welcome we do not yet have criteria on which applications might be assessed, or detail on the amounts likely to be able to be accessed through this scheme.

#### How to recover from the capital loss

Neither retail bank borrowing nor the suspensory loan scheme will address the substantial capital loss that all owners will suffer by upgrading the building. For our building this represents more than 50% of the likely value of building once it has been upgraded. Many owners will realise their losses immediately due to the backlog of owners wishing to sell and get on with the next stage of their lives.

We are not yet clear on what other measures might be offered. We would like to see something offered to recognise this loss of value.

#### How to complete the work within the required timeframe

We need to strengthen by April 2030. In this time we need to:

- get clarity on central and local government support that might be offered
- finalise the outstanding design elements, get consent and run a tender process. This is likely to take six to nine months
- get owner approval and support owners to fund the project. We know from experience that this will be a long, time-consuming and delicate task. We estimate that it would take three to six months to achieve this step.
- manage an estimated 18-month construction period.

#### Living through the upgrade

We originally briefed our engineers for a design that would allow owners to remain in their apartments during the upgrade. This is now in doubt as we have a four-month period of drilling

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<sup>5</sup> Under Credit Contracts and Consumer Finance Act 2003  
Inner City Wellington Supplementary Submission (1) 15 Dec 2019

(noise and vibration) that is likely to make the building unliveable for people home during the day. We have not allowed for rehousing people in our costs.

### **Having faith in the regime and process**

At a recent meeting with owners it was clear that people are stressed and that many owners feel trapped. We know that owners are worried about the following:

- Standards creeping up and that we will lose our compliant status again if we do strengthen
- Costs continuing to rise at tender
- Insurance costs continuing to rise while we wait
- Whether they will be able to financially recover from this
- That they are being asked something that – due to the magnitude of the costs – is simply not reasonable.

### **The burden on body corporate committee members**

We have been working on this problem since 2012. This has involved hundreds of hours of personal time for two committee members. We have worked at nights and in our weekends, all while juggling the demands of our paid work and family commitments.

This work has required us to work through complex financial, legal, engineering and planning information and processes. It is also very sensitive work to manage in terms of communication and engagement with the body corporate committee and owners.

It has required a high level of skill, patience and persistence to navigate effectively. This has been a huge burden for us as individuals. It is depressing that, even after seven years of dedicated and persistent work, we do not have a viable path forward.

## **Status of the seismic upgrade project**

The substantive work towards the seismic upgrade – obtaining consents, financing, writing proposals to vote on and running a tender process – is currently on hold. Since receiving the latest costing, the body corporate committee has:

- Verified and challenged the current design, costing, timeframes and impact. There may be minor savings available in the final design of the foundations, but this has yet to be fully understood.
- Explored funding the project. We have met with the Wellington City Council and Minister Robertson to understand what financial support might be available to us. The Council is unable to provide financial assistance. The government's proposed suspensory loan scheme appears to be the only relief that is relevant to us this stage.
- Explored selling the building and land to another party. We've been advised that there is currently an unclear market for such an asset and that we would be unlikely to be offered a reasonable figure by a purchaser. There could also be legal complexity in effecting such a transaction without unanimous support from owners.

## Summary

It is disappointing, frustrating and worrying to be in the position we're currently in. We have looming deadlines and no clear path to a solution.

We started this process in good faith in 2012, believing that working toward strengthening was the right thing to do and believing that it would be a financially viable project. It was only this year, when we received the cost of the detailed design, that we realised that this would not be the case.

The changes to the Building Act 2004 were brought in based on Cabinet's view that it was reasonable and affordable for owners to strengthen their buildings. It has now become evident that for us, and many other Wellington apartment owners, this is not the case.

We don't believe that the current regime strikes the right balance between cost and benefits to owners. While seeking to mitigate the risk of future loss of life, the government is locking in substantial financial losses for all owners – ones that will severely limit peoples' future choices. We believe that this is an inequitable outcome for private individuals.

This is happening in the context of a nationwide housing crisis. If no changes are made, the current regime will exacerbate this, either by:

- de-housing homeowners who are unable to afford to strengthen by the deadline, or
- locking out homeowners from a future place in the housing market due to loss of capital.

These outcomes are likely to place a burden on state and place further pressure on limited housing stock.

We urge the government to support owners by contributing to the large costs that some owners are currently being required to bear. The government will receive tax income through this work, via GST, income and company tax. This – together with the inequitable consequences for many – puts a compelling argument for the Government to contribute to the cost of this work.

## Appendix: Breakdown of costing from quantity surveyor

The table below shows a breakdown of costs involved in strengthening.

| Source   | Description   | Notes   | Cost               |
|--|---|---|--------------------|
| Project Manager  | Consultancy costs to finalise design, call tenders and award contract | Architect to finalise ramp canopy design, struct. eng. to finalise ramp and diaphragm strengthening, project mgrs to call, assess and award tenders, QS to assess tenders | \$51,000           |
| Quantity Surveyor  | Building consent fees and levies                                      |   | \$84,053           |
| Project Manager  | Spray concrete existing crib wall + slab for pile rig access          |   | \$40,000           |
| Quantity Surveyor  | Preliminaries   |   | \$421,493          |
| Quantity Surveyor  | Site preparation  | Enabling work for piling, services relocations, reinstatement of existing items such as rubbish area, site clearance  | \$181,126          |
| Quantity Surveyor  | Substructure  | Piling, demolition, pile caps and ground beams, reinstatement   | \$1,581,900        |
| Quantity Surveyor  | Frame   | K-braces, PRCs  | \$642,100          |
| Quantity Surveyor  | Structural walls  | Repairs and temporary works required to surrounding walls and façade of building  | \$425,337          |
| Quantity Surveyor  | Upper floors  | Work required to prop ramp during foundation works, demolish and replace existing ramp canopy   | \$93,500           |
| Quantity Surveyor  | Specific P&G  | Scaffolding, mobilisation and crange  | \$588,480          |
| Project Manager  | Diaphragm strengthening ground floor and roof                         |   | \$150,000          |
| Project Manager  | Ramp strengthening  | Seismic strengthening of the ramp – not yet included in QS estimate   | \$40,000           |
| Project Manager  | Painting exterior   | Approximately 50% of this cost is deferred maintenance.   | \$150,000          |
| Project Manager  | Footpath and landscaping ramp entrance                                | This is the building taking opportunity to enhance the entranceway.   | \$30,000           |
| Quantity Surveyor  | Margins   |   | \$314,715          |
| Quantity Surveyor  | Contingencies   |   | \$637,297          |
| Project Manager  | Consultancy costs for construction phase                              | Project managers, structural engineer, architect, quantity surveyor   | \$392,000          |
| Sub-total  |   |   | \$5,823,001        |
| GST  |   |   | \$873,450          |
| <b>Total</b>   |   |   | <b>\$6,696,451</b> |
| <b>Note:</b>   |   |   |                    |
| <ul style="list-style-type: none"> <li>• This estimate does not include fire engineering works, legal fees, works insurance, local authority charges or building levies.</li> <li>• It does not include the \$214,000 including GST spent by the body corporate already.</li> <li>• Approximately \$100,000 of this project is work that the body corporate is either opting to include in the project (entrance way work) or is deferred maintenance (painting).</li> </ul> |   |   |                    |

## Owner 17

To the Governance & Administration Select Committee;

This submission is made in support of the above petition.

1. My wife & I make this submission both on a personal level & also as long-standing owners & committee members (but not formally on the BC's behalf), of our body corporate. I have also acted as Chairperson re same.
2. We are one of ten owners in a central city residential apartment building which has been classified as earthquake prone, with a fifteen year time frame by which to strengthen.
3. We are a heritage building in a heritage zone. The options available to us are accordingly extremely restricted in terms of strengthening methods, council & government policy re demolition, & perceived heritage value.
4. Over the past ten years our BC has engaged three independent engineering consultants who have provided comprehensive (& somewhat conflicting) reports advising strengthening options; costings etc to achieve the certain defined levels as contained in the building code. The total cost to date of these reports has been upwards of \$250k.
5. The cost projections range between \$2.5m to \$3.5m plus GST, but do not take into account any contingencies, inflation, or unforeseen costs. There would also be the individual owner's cost of relocation, alternative accommodation, etc.
6. We are one of several elderly owners whose income sources are limited, therefore our ability to source & service loans etc for the purpose of strengthening is impossible to sustain or even contemplate, both in respect of our own position, notwithstanding the BC itself. Indeed, the BC may not be able to strengthen unless all owners have the capacity or inclination to proceed.
7. Similarly it does not make economic sense to impose a financial burden on us for no viable or positive financial benefit.
8. We are a small BC in which all owners are dealing with the issue on a voluntary & unpaid basis. We have incurred a huge amount of time, effort & energy to date, with no obvious outcome in sight.
9. We feel that the building code & standards are a moving target. The goal posts keep changing.
10. We are constantly being bombarded with stressful communications from central & local government, the press & other agencies.
11. We would find it difficult to sell, even at 50% of the price paid many, many, years ago!
12. Our BC annual levies are probably one of the highest in Wellington. The annual indemnity insurance premium for the building alone is currently \$120k plus GST. It increases as the industry perceives greater risk exposure or it needs to recover lost ground.
13. We are already contributing to strengthening of local & central govt. buildings through rates & taxation. We are caught in a "triple whammy". Hardly fair!
14. Our adult family is very concerned for the state of our mental health & financial security given all the long-standing pressure, anxiety & uncertainty. They are kept informed & are acutely aware of what we are going through.
15. We are trapped in a situation entirely none of our making. We seek a fair & reasonable consideration of this critical issue.

Thank you.