

I hereby give notice that a confidential extraordinary meeting of the Governing Body will be held on:

**Date:** Friday, 6 October 2023  
**Time:** 1.30pm  
**Meeting Room:** Reception Lounge  
**Venue:** Auckland Town Hall  
301-305 Queen Street  
Auckland

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## Tira Hautū / Governing Body

# CONFIDENTIAL ADDENDUM AGENDA

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## CONFIDENTIAL: Consideration of Crown co-funding offer for storm recovery and resilience

File No.: CP2023/14529

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### Matatapuanga Confidentiality

<b>Reason:</b>	The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
<b>Interests:</b>	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege. s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). In particular, the report contains advice regarding negotiations with the Crown.
<b>Grounds:</b>	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

### Te take mō te pūrongo Purpose of the report

1. In response to the severe weather events of Auckland Anniversary Weekend and Cyclone Gabrielle (January and February 2023), the Governing Body is being asked to:
  - agree the methodology of land categorisation
  - agree the methodology for the voluntary buy-out of Category 3 properties (Option A or B)
  - accept or reject the Crown's proposal to co-fund a storm-recovery package.

### Whakarāpopototanga matua Executive summary

2. Auckland Council has negotiated a co-funded storm recovery package with the Crown to respond to the severe weather events of Auckland Anniversary Weekend and Cyclone Gabrielle (January/February 2023, referred to in this report as 'the severe weather events'). The proposed package was presented to the Governing Body on 24 August 2023
3. The package is valued at just under \$2 billion with \$1.1 billion coming from government and \$900 million from Auckland Council. The funding would support transport network recovery, a voluntary buy-out scheme for 'category 3' residential properties, and implementation of risk mitigation projects.
4. The government has been clear that this process is to be 'locally-led and centrally-supported' – many of the detailed policy settings for the package have been left to Auckland Council to develop, although Auckland Council is obligated to specify its approach in the agreement with government.
5. The resolved position of Auckland Council is that it has a leadership role and responsibilities as a regulator, emergency responder, information and service provider, landowner, and advocate. It further suggests that the council's role is not as a guarantor of private property interests or loss, to be responsible for compensating landowners in case of loss due to any severe weather event or natural disaster, or as an insurer of first or last resort.

6. Despite the council having no duty or obligation for private property purchase, the devastating impact of severe weather events on Aucklanders has led the council to enter into funding negotiations with the government. Auckland Council's clear position is that the approach that has been proposed by the government is a one-off.
7. On 24 August 2023, the Governing Body agreed in principle to the proposed co-funded storm recovery package, subject to public consultation (resolution number GB/2023/160). A rapid consultation process occurred from 11 September to 24 September. A total of 2,461 submissions were received. This feedback was presented in the open report.
8. Subject to agreement to the proposed co-funded storm recovery package, several documents must be attached to the final funding agreement between the council and the Crown to outline the methodology for the categorisation and purchase of category 3 residential properties.
9. The overarching policy objective that has guided the policy analysis for the buy-out scheme, is to support Aucklanders to voluntarily relocate from residential housing situations on properties that pose an intolerable risk to their lives. Further objectives support the analysis of policy options: effective, affordable, fair and consistent with policy intent, and equitable.
10. Options are provided for the range of policy considerations associated with the purchase of category 3 properties (Attachment A). The options and trade-offs for the methodology of category 3 property buy-outs are complicated and do not lend themselves to simple solutions, particularly given the limited information currently available about the number, type, location and value of properties that may qualify for purchase. Also included in this analysis is modelling of the potential total scheme cost, based on a number of assumptions, for different scenarios. Sensitivity of this modelling to different factors is also included. Options are interlinked, where each choice will influence the impact of other choices.
11. Two sets of policy options are presented in this report: a staff-recommended option, and a Storm Recovery Political Advisory Group-recommended option. These are as follows:

Option	Option A (Staff recommendation)	Option B (Storm Recovery Political Advisory Group recommendation)
<b>Valuation</b>	Market valuation pre-events	Market valuation pre-events
<b>Maximum buy-out payment cap (excludes insurance and EQC)</b>	\$1.5 million maximum (with no homeowner contribution, as per next row)	No cap (with a minimum 5% homeowner contribution, as per next row)
<b>Homeowner contribution</b>	No homeowner contribution	Minimum 5% homeowner contribution (sliding scale from 5% to 15% of property value)
<b>Insurance status</b>	Do not take insurance status into account	Up to 20% contribution from uninsured properties, with provision for special circumstances
<b>Secondary properties</b>	Exclude secondary properties	Include secondary properties
<b>Special circumstances</b>	Include a process for special circumstances	Include a process for special circumstances

12. A process for dispute resolution will be developed.



13. Staff note that their policy analysis indicates the merit of the two different options is assessed as very close in each aspect, that both are similarly affordable Legal Professional Privilege s 7(2)(g) LGOIMA. To assist in the Governing Body's decision-making process, the recommendations are provided as "either/or" options.
14. If the Governing Body agrees to proceed, it is recommended that borrowing be used to fund Auckland's share of the proposal, until more considered funding decisions can be made in the 2024 - 2034 Long-term Plan. Using borrowing in the short term would mean the infrastructure repairs and the category 3 buy-out process could begin ahead of the Long-term Plan decisions.
15. The proposed co-funding package carries a number of risks for Auckland Council, including in the development of the policy options (limited information as a basis of decision-making and consequent risks of under-funding, and compressed timeframes to develop and consult on policy options), and in the implementation of any agreed programme. There are legal, financial and operational risks, a risk of over-burdening staff and resources, and litigation risks where the programme does not meet diverse community expectations. While some of those risks are unavoidable, the council should endeavour to identify and manage risks as best as possible. For context, the risks of "doing" must be counterbalanced against the risks of "not doing" which might be greater.
16. Consideration of the council's role in the recovery of category 2P properties is currently under development and will be reported to the Governing Body as soon as possible.

## Ngā tūtohunga Recommendation/s

That the Governing Body:

- a) whakaae / approve the Nominated Categorisation Approach contained in Attachment B to this agenda report which sets out the criteria and thresholds for property risk assessment and categorisation for Auckland properties as a result of the Auckland Anniversary and Cyclone Gabrielle weather events, and will form the basis of the property categorisation methodology
- b) tuhi / note the category 3 property Purchase Methodology Assessment contained in Attachment A to this agenda report sets out the policy intent and full assessment of options to support decisions on the parameters of the Voluntary Buy-out Support Scheme for category 3 properties.
- c) whakaae / agree that the parameters for the purchase of category 3 properties will be described in the Voluntary Buy-Out Support Scheme Terms contained in Attachment C to this agenda report, and will be:

Either:

### **Option A (staff recommendations)**

- i) a market valuation pre-events with the pre-event date to be determined is used as the valuation method for the Voluntary Buy-out Support Scheme.
- ii) a \$1.5 million maximum payment cap is applied to the Voluntary Buy-out Support Scheme property buy-out offers, after considering any insurance payments for the property.
- iii) no homeowner contribution is applied to the Voluntary Buy-out Support Scheme property buy-out offers.
- iv) insurance (uninsured) status will not be taken into account for the Voluntary Buy-out Support Scheme property buy-out offers.

- v) secondary properties are excluded from accessing the Voluntary Buy-out Support Scheme unless an owner makes an application to have their individual circumstances considered as a special circumstance.
- vi) a process for considering special circumstances will be included in the Voluntary Buy-out Support Scheme.

Or

**Option B (Storm Recovery Political Advisory Group recommendations)**

- vii) a market valuation pre-events with the pre-event date to be determined is used as the valuation method for the Voluntary Buy-out Support Scheme.
- viii) no maximum payment cap is applied to the Voluntary Buy-out Support Scheme property buy-out offers, after considering any insurance payments for the property.
- ix) a minimum 5 per cent homeowner contribution will apply to the Voluntary Buy-out Support Scheme property buy-out offers (in conjunction with (c)(viii) above) with a sliding scale as follows:
  - A) 5% for the first \$1.5 million of property value
  - B) 10% applied to property value over \$1.5 million and up to and including \$3.0 million
  - C) 15% applied to property value over \$3.0 million
- x) insurance (uninsured) status will be taken into account and apply a homeowner contribution of up to 20 per cent to the Voluntary Buy-out Support Scheme property buy-out offer, with provision for special circumstances.
- xi) secondary properties are included in the access conditions for the Voluntary Buy-out Support Scheme.
- xii) a process for considering special circumstances will be included in the Voluntary Buy-out Support Scheme

Dispute resolution process

- d) whakaae / agree in principle that the dispute resolution process will include an internal review and external/independent review.
- e) tautapa / delegate to the Storm Recovery Political Advisory Group the power to approve the framework for dispute resolution.
- f) whakaae / agree to accept the Crown offer and sign a final co-funding agreement for the storm recovery package valued at \$1.984 billion, allocated as follows:

	Government funding	Auckland Council funding	Total
Transport network recovery	\$309 million	\$81 million	\$390 million
Category 3 home buy-outs	\$387 million	\$387 million	\$774 million
Risk reduction programmes	\$380 million	\$440 million	\$820 million
<b>Total</b>	<b>\$1,076 million</b>	<b>\$908 million</b>	<b>\$1,984 million</b>

- g) tautapa / delegate to the Chief Executive the power to finalise the Scheme documentation and rules related to recommendations a) to f) above, in accordance with Auckland Council's policies and resolutions, including the Nominated Categorisation Approach and Voluntary Buy-out Scheme Terms.
- h) tautapa / Delegate the Mayor and Deputy Mayor to sign the funding agreement with the Crown for the storm recovery package on behalf of Auckland Council.
- i) whakaae / agree to use debt in the short term to begin implementation of the agreed scheme until more detailed financial decisions can be made in the 2024-2034 Long-term Plan
- j) tuhi ā-taipitopito / note that consideration of the council's role, if any, in the recovery of category 2P properties is currently under development and will be reported to the Governing Body for approval at the next Governing Body meeting.

#### Restatement

- k) whakaae / agree that the decisions, report and any attachment remain confidential until the need for confidentiality no longer exists.

## Horopaki Context

### Government announcements and negotiations

- 17. In response to the severe weather events, the government has made a series of announcements about a co-funded, locally-led and centrally-supported process for affected residential property-owners. This includes announcements of co-funding to support councils to offer voluntary buy-outs for owners of high-risk (category 3) properties and to fund work needed to protect properties where risk can be managed (category 2).
- 18. The categorisation of storm-affected properties was announced by the government on 1 May 2023. These categories and associated definitions are for application to residential properties affected by the specified severe weather events, and do not have a specific statutory basis. Significant council resource has been needed to develop a more detailed framework for categorisation, including thresholds of risk for each category. Work is ongoing to individually assess the approximately 5000 flood and slip-affected houses against this framework. Technical assessments got underway on 21 August and will take some months to complete.

### Auckland Council's negotiating position

- 19. The resolved position of the council is that, in response to water-related hazards, it has a leadership role and responsibilities as a regulator, emergency responder, information and service provider, landowner, and advocate. Auckland Council's role is not as a guarantor of private property interests or loss, to be responsible for compensating landowners in case of loss due to any severe weather event or natural disaster, or as an insurer of first or last resort.<sup>2</sup>
- 20. Despite the council having no duty or obligation for private property purchase, the devastating impact of severe weather events on Aucklanders led the council to enter into funding negotiations with Government. Auckland Council's view is that the approach that has been proposed by government is a one-off, made necessary by the extraordinary scale of events.
- 21. Tāmaki Makaurau's recovery from the severe weather events is going to require significant investment, with or without government co-funding. The negotiated process and resultant proposal for a co-funded package is an opportunity to increase the total investment into the region, leveraging council spending to secure further funding from the government.

**The government offer for buy-out of category 3 properties**

- 22. Negotiations between the government and Auckland Council have resulted in an offer to co-fund three elements of storm recovery work to the value of \$1.984 billion. The offer is similar in construct to the offers made in Hawkes Bay and Tairāwhiti.
- 23. On 24 August 2023, the Governing Body endorsed an in-principle agreement with the Crown, subject to public consultation, to co-fund storm recovery costs for affected properties and infrastructure as set out in the offer made by the Crown on 23 August 2023 (resolution number GB/2023/160). The offer was summarised in the 24 August 2023 Governing Body report, and is set out in Table 1:

**Table 1. Summary of Crown offer**

	Government funding	Auckland Council funding	Total
Transport network recovery	\$309 million	\$81 million	\$390 million
Category 3 home buy-outs	\$387 million	\$387 million	\$774 million
Risk reduction programmes	\$380 million	\$440 million	\$820 million
<b>Total</b>	<b>\$1,076 million</b>	<b>\$908 million</b>	<b>\$1,984 million</b>

- 24. The three elements are transport network recovery, buy-out scheme, and risk mitigation projects:
  - a) Transport network recovery  
A contribution towards the recovery costs of our transport networks from the direct impacts of storm events. Some of this would ordinarily be funded by Waka Kotahi but the proposal includes full funding of some projects to reduce required council funding. Example projects include Mill Flat Road bridge (temporary Bailey bridge and permanent fix), access to Karekare and Piha, and underslips on Bethells Road.
  - b) Buy-out scheme  
50:50 funding towards a voluntary buy-out scheme for residential properties assessed as category 3. Based on current estimates of 700 properties this is projected to cost \$774 million, with the Crown and the council each contributing \$387 million. Auckland Council is responsible for defining the categorisation and purchase methodologies. If the maximum amount is breached, there is a commitment to good faith discussions on next steps.
  - c) Risk mitigation projects  
A pre-allocation of \$360 million from the National Resilience Plan funding towards Category 2 risk mitigation projects within Auckland. This equates to 62 per cent of the projected capital costs of interventions such as the Making Space for Water proposal. Crown to pay 62 per cent of the cost of each eligible project until pre-allocation is exhausted.



25. The proposed terms of the agreement include that Auckland Council takes the lead, and incurs the cost, to:
  - a) communicate and engage with the category 3 property owners
  - b) assess and determine which properties are categorised as the category 3 properties
  - c) administer the overall programme for the purchase of the category 3 properties, including all matters related to the sale and purchase agreements. Auckland Council will bear all contract and enforcement risk with respect to those agreements
  - d) manage the insurance claims that may be assigned to Auckland Council
  - e) take ownership of the category 3 land purchased and be responsible for all costs associated with the management of that land. In turn, Auckland Council may retain any revenues from the ongoing use of the land or its resale
  - f) comply with the invoicing, wash up and related procedures regarding the delivery of the Crown funding - these procedures will be attached to the Agreement
  - g) report to the Crown on an ongoing basis in accordance with the reporting requirements that will be attached to the Agreement.
26. Public feedback and local board input has been presented for consideration in an accompanying report on this agenda.

## Tātaritanga me ngā tohutohu Analysis and advice

### Setting thresholds for categorisation of severely affected properties

27. Attachment B describes Auckland Council's nominated categorisation approach for application of the government's categorisation framework.
28. This is a two-stage process of **risk assessment** (considering intolerable risk to life), and **feasibility assessment** (whether there is a feasible mitigation available to reduce the risk to life associated with the property to a tolerable level). The attached categorisation approach proposes to set this feasibility threshold (between category 3 and category 2) based on a percentage of the property value.

### Developing an effective scheme design for the category 3 buy-outs

29. Some Auckland residential properties will be assessed as Category 3 – **posing an intolerable risk to the life of occupiers**, in accordance with the council's nominated categorisation framework.
30. As part of any co-funding agreement between Auckland Council and the government, a category 3 property purchase methodology needs to be approved. This will be attached to any final agreement with the Crown.
31. The overarching policy objective is: to support Aucklanders to voluntarily relocate from residential housing situations on properties that pose an intolerable risk to their lives.
32. Staff have identified the following further objectives to support its analysis of options to achieve its overarching objective. These objectives were informed by other similar schemes in other countries. These are:
  - **Effective** – focuses on the impact an option will have on the speed and uptake of buy-out to remove the intolerable risk to life posed to households from their property.



- **Affordable** – considers the impact of the option with the amount of funding available across the number of properties that need to be purchased to remove intolerable risk to life. Affordability assumptions and scenario have been used to help make an assessment against this criterion as a high level of uncertainty exists.
  - **Fair and consistent with policy intent** – considers if the option meets our legal obligations to be fair and for the scheme to be consistent with the stated policy intent.
  - **Equitable** – considers the impact of the option on scheme equity for those most in need and those who fund the scheme.
33. An assessment of policy options to achieve the overall objective (refer Attachment A) has been undertaken to assist Governing Body decisions about the content of the category 3 property purchase methodology. Staff assessment focuses on options for decision-making about:
- Valuation of category 3 properties
  - Maximum buy-out payment cap
  - Homeowner contributions
  - Insurance status
  - Status of secondary properties
  - Consideration of special circumstances
  - Approach to dispute resolution
34. There are narrow margins of difference between how options deliver the policy intent for property purchase. Giving different priority to the four criteria can change the overall policy package. A summary of the key supporting reasons under each element is provided in Table 2 below with the full assessment in Attachment A.
35. Two sets of policy options are presented in this report: Option A - a staff-recommended option, and Option B - a Storm Recovery Political Advisory Group-recommended option. These were presented to the Governing Body in a confidential workshop on 4 October 2023 (presentation contained at Attachment D). These are as outlined in Table 2, and presented as 'either/or' recommendations for the Governing Body's consideration in the recommendation section of this report. A draft Voluntary Buy-Out Support Scheme Terms is attached at Attachment C, and will be revised to reflect the final options.

**Table 2: Policy combinations: two recommended options**

Option	Option A (staff recommendation)	Option B (Storm Recovery Political Advisory Group recommendation)
Valuation	<b>Market valuation pre-events</b> Taking this approach would be most effective for getting voluntary uptake. Sales data is readily available. It is expected to be the preferred method with impacted property-owners.	<b>Market valuation pre-events</b> Taking this approach would be most effective for getting voluntary uptake. Sales data is readily available. It is expected to be the preferred method with impacted property-owners.
Maximum buy-out payment cap	<b>\$1.5 million maximum (with no homeowner contribution, as per next row)</b>	<b>No cap (with a minimum 5% homeowner contribution, as per next row)</b>

Option	Option A (staff recommendation)	Option B (Storm Recovery Political Advisory Group recommendation)
(excludes insurance and EQC)	Taking this approach would give the most confidence of being able to deliver the scheme within available funding, and ensure access for all, while leaving a large proportion of owners unaffected. It also negates the risk of the support scheme being perceived as too generous by the wider public and not having their support and causing reputational and social licence risk.	Under the current financial assumptions, this option may marginally exceed the \$774m funding. This option is more likely to expedite uptake and to use resource to deliver the scheme rather than respond to legal/special circumstances challenges.
Homeowner contribution	<p><b>No homeowner contribution</b></p> <p>Taking this approach would represent a generous offer and would maximise and expedite voluntary uptake and achievement of the policy intent. It does not require additional resource or time to administer. It is least likely to impact those who are most vulnerable and have the greatest need.</p>	<p><b>Minimum 5% homeowner contribution (sliding scale from 5% to 15% of property value)</b></p> <p>This option is likely to be more affordable than a 100% buy-out (note: the 5% option was used to estimate costs for negotiations with government).</p> <p>Contribution by homeowners would be made as a recognition of property ownership risks. It could marginally reduce property owner uptake and be likely to impact affected owners who can least afford to make a contribution.</p>
Insurance status	<p><b>Do not take insurance status into account</b></p> <p>Taking this approach would be simpler, increase uptake, and have less likelihood of owners disputing their offer. This option balances trade-offs and is most consistent with achieving the policy objective and outcome. This will not have a negative impact on uninsured property owners – these people are most likely to be vulnerable and have the greatest need.</p>	<p><b>Up to 20% contribution from uninsured properties, with provision for special circumstances</b></p> <p>This option recognises fairness and equity for those affected owners who are insured as they have effectively made their contribution to the scheme already through insurance payments.</p> <p>The purchase methodology would need to have specific provisions and conditions including a process to understand individual insurance circumstances when making a final decision on approach to insurance. This would ensure that decisions on contribution of up to 20% are not unfairly impacting individuals and are made understanding an individual's specific circumstances.</p>
<p><b>Secondary properties*</b></p> <p>* Residential properties that have dwellings</p>	<p><b>Exclude secondary properties</b></p> <p>Taking the policy objective into account, properties with a secondary dwelling do not represent as great a</p>	<p><b>Include secondary properties</b></p> <p>This option recognises that while the home-owner may not need to reside there, no property should be able to be occupied for any period of time if</p>

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Option	Option A (staff recommendation)	Option B (Storm Recovery Political Advisory Group recommendation)
that serve as holiday homes and baches which may be occupied by their owners or renters short-term and are not the principal place where either property owners or renters reside.	risk to life as the owner has a primary dwelling to live in.	there is an intolerable risk to life. This option would provide certainty of outcome for all those in this position.
<b>Special circumstances</b>	<p><b>Include a process for special circumstances</b></p> <p>Taking this approach would be significantly fairer and make the programme less likely to give rise to disputes. The property purchase methodology may still differentiate without understanding individual circumstances (depending on the decisions about options). Special circumstances will provide an ability for those administering the scheme to exercise discretion in exceptional and unusual cases.</p>	<p><b>Include a process for special circumstances</b></p> <p>This option is assessed to best meet the policy objective and outcome. Taking this approach would be significantly fairer and make the programme less likely to give rise to disputes. The property purchase methodology may still differentiate without understanding individual circumstances (depending on the decisions about options). Special circumstances will provide an ability for those administering the scheme to exercise discretion in exceptional and unusual cases.</p>

36. Given the unprecedented nature of the severe weather events, Crown and the council's response and the lack of a national policy framework, all of the policy options considered here are at risk of challenge from impacted property-owners, or from Aucklanders who are concerned about the outcomes (for example, the impact on rates).
37. In addition, the nature of the events and volume of affected property in Auckland is vastly more complex than in other parts of the motu, so the data underpinning the assumptions is less certain.

**Process for dispute resolution**

38. An external/independent dispute resolution process for homeowners who wish to challenge categorisation or buy-out (valuation) decisions is recommended. Options for a dispute resolution process are set out in Attachment E.
39. Subject to approval, a detailed dispute resolution process will be prepared for approval by the Governing Body. This approval could be delegated to the Storm Recovery Political Advisory Group, as outlined in recommendation e) of this report.



## Considering the whole package: the Local Government Act provides the relevant legislative framework

40. There is no specific statutory framework underpinning the government's proposed funding package, particularly the categorisation framework and the buy-out of category 3 properties. The relevant legislative framework is therefore the Local Government Act 2002 (LGA). The council needs to consider whether the proposed package is consistent with the statutory purpose, role and principles of local government, and to ensure that it is meeting its decision-making obligations under Part 6 of the LGA.
41. An analysis of the relevant provisions is provided in Attachment F. In summary, the proposed co-funded storm recovery package is considered to be consistent with the purpose and principles of local government, for the following reasons:
  - Consideration of the proposed package has enabled democratic local decision-making and action by, and on behalf of, local communities. As described in the accompanying public report, consultation has revealed general support for the package, with varied views about the implementation methodology. If agreed to, the package will enable the council and communities to take action to get on with recovery efforts with more certainty and a greater level of funding.
  - The proposed package will promote the social, economic, environmental and cultural well-being of communities in the present and for the future. Much of this benefit will be concentrated in the most severely impacted communities, however there are elements in the risk mitigation projects that will have a region-wide benefit. As climate change increases the risk of more frequent severe weather events, well-being improvements will extend to future generations. The package will not resolve all flooding and land instability risk but will contribute to improved resilience by removing some of the most at-risk dwellings (subject to property owners' voluntary participation).
  - The proposed package takes into account the diverse views and interests of communities, as evidenced in the consultation feedback. The impacts of the severe weather event were unevenly distributed, meaning one of the greatest points of diversity at the moment is between directly impacted communities, who are still dealing with the events of January and February 2023, and other communities who were quickly able to resume 'life as usual.'
42. The government has consulted on a proposed temporary change to the Local Government Act 2002 (LGA) allowing specified councils to decide on making voluntary buy-outs to owners of properties that have been severely impacted by weather events in 2023, without having to amend their long-term plans (LTPs) as required by the LGA. An Order in Council is now in place and will remain in effect until 30 June 2024.<sup>1</sup>

## The proposal aligns with Auckland Council policy and priorities

43. Section 14(1)(a)(ii) of the Local Government Act states that, in performing its role, a local authority should give effect to its identified priorities and desired outcomes in an efficient and effective manner.
44. The proposed co-funding package aligns with a number of Auckland Council's priorities and desired outcomes, as described in core strategies, policies and plans. The relevant objectives and directions are identified in Attachment F. While current policies, plans and strategies do not provide specific direction on recovery from the impacts of flooding and severe weather events, they provide strategic direction and principles which have guided discussions relating to the proposed package. Future reviews of these policies may include more specific actions to support recovery from storm events.

45. Of note:

- all three elements of the package will improve community and infrastructure resilience, identified as a priority in the Auckland Plan, the Auckland Water Strategy, the Civil Defence and Emergency Management Plan, the Natural Hazards Risk Management Plan, Te Taruke-a-Tawhiri: Auckland's Climate Plan, and the Thriving Communities Strategy
- transport network repairs will support the priority to maximise safety and environmental protection, and to develop a resilient transport system (Auckland Plan, Regional Land Transport Plan)
- category 3 buy-outs will respond to the Auckland Plan's directions for Belonging and Participation, including to focus investment to address disparities and serve communities of greatest need. Although not directly applying the Dangerous Buildings Policy, the buy-outs will contribute to the policy's objective: ensuring that the Auckland Council region is a safe place to live and work in
- risk mitigation projects will respond to the priority to adapt to a changing water future (Auckland Plan), reduce exposure and risk from natural hazards (Auckland Unitary Plan and Auckland Water Strategy), and to regenerate natural systems and prioritise the use of green infrastructure (Infrastructure Strategy).

### Options analysis: accepting or rejecting the co-funding package

46. The government funding is offered as an all-or-nothing package. It will require full co-investment from Auckland Council to realise the programme funding share. This makes the options for the Governing Body to consider a binary choice: to either accept or reject the package as a whole.
47. Accepting the package would require additional council funding of up to \$908 million, and would enable the implementation of the transport repairs, risk mitigation/resilience improvements and category 3 property purchases.
48. Rejecting the package would mean that the council continues with its current approach. The Recovery Office would continue to support recovery efforts including development of the Tāmaki Makaurau Recovery Plan and provision of Storm Recovery Navigators to support impacted communities to access available support. Operational parts of the council would continue to improve the resilience of assets and facilities, but at a slower pace as funding becomes available through normal budget processes. Transport and infrastructure projects which have been deferred due to the need to prioritise storm recovery efforts will remain deferred for the foreseeable/immediate future. The council would not offer buy-outs to category 3 property owners. The following options assessment considers the two options: accept or reject the proposed package, against a range of criteria relevant to this decision.

### Tauākī whakaaweawe āhuarangi Climate impact statement

49. The Auckland Plan acknowledges that 'more extreme weather events, as a result of climate change, mean that at times there will be too much water in some places'. Te Tāruke-ā-Tāwhiri: Auckland's Climate Plan sets a number of priorities for action on climate adaptation, including addressing immediate, known risks that are affecting Aucklanders today.
50. The proposed approach in the co-funded storm recovery package is a direct response to the impacts of the recent severe weather events. The proposed terms of the deal acknowledge the need to develop future policy for community-led retreat and adaptation funding through a national policy process.



51. Implementation of the co-funded storm recovery package will support Auckland's climate adaptation, through improving the resilience of communities and infrastructure, and removing people from intolerable risks to life from climate-related natural hazards.
52. Where possible, relocation or deconstruction and re-use of materials from category 3 properties will help to lower the carbon impact of the buy-out process.

### **Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera Council group impacts and views**

53. The methodology to support the co-funded storm recovery package has been developed by staff from across the council group, including the Recovery Office, Chief Planning Office, Finance, Legal, Healthy Waters, Resilient Land and Coasts, and Eke Panuku Development Auckland. Should the proposed package be agreed, implementation will require a similar coordinated approach across the council group.

### **Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe Local impacts and local board views**

54. Most local boards provided feedback on the methodology of the Voluntary Buy-out Support Scheme, based on the preliminary information available in the consultation document. This is reported on in the accompanying public report. The feedback about the key policy choices discussed above was mixed. For example, some boards supported inclusion of secondary properties, whereas others requested priority be given to owner-occupied homes. Views on the treatment of the uninsured was similarly diverse. A nearly-universal theme was the need to provide certainty and support to affected property owners.

### **Tauākī whakaaweawe Māori Māori impact statement**

55. Māori are among the affected property owners and will benefit from the proposed package if it proceeds. Whenua Māori is being handled in a separate process led by the Crown.
56. Feedback from mana whenua has included describing the anxiety and stress for whānau as a result of the storms and uncertainty about the pathway to recovery. For those whānau living in placarded homes, there are concerns about whether they will receive a buy-out offer, the process, and the value of the offer. Mana whenua also asked how those renting will be supported.
57. As part of developing the Tāmaki Makaurau Recovery Plan, officers are working with mana whenua to develop improved engagement processes moving forward.

### **Ngā ritenga ā-pūtea Financial implications**

58. Auckland's recovery from the severe weather events of early 2023 is going to require significant investment, with or without central government co-funding. The proposed package increases the total investment into Auckland, with over \$1 billion in new and reprioritised central government funding (see Table 3).

Table 3 Composition of the proposed co-funded storm recovery package

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	Government funding	Auckland Council funding	Total
Transport network recovery	\$309 million	\$81 million	\$390 million
Risk reduction programmes	\$380 million	\$440 million	\$820 million
Category 3 home buy-outs	\$387 million	\$387 million	\$774 million
<b>Total</b>	<b>\$1,076 million</b>	<b>\$908 million</b>	<b>\$1,984 million</b>

59. Significant funding from Auckland Council would still be required to deliver on the activities described in this package.
60. If the Governing Body agree to proceed, it is recommended that borrowing be used to fund Auckland's share of the proposal, until more considered funding decisions can be made in the 2024 - 2034 Long-term Plan. This is due to be publicly consulted on in early 2024. Using borrowing in the short term would mean the infrastructure repairs and the category 3 buy-out process could begin ahead of the Long-term Plan decisions.
61. Based on initial timing projections the additional council debt required is likely to peak at \$650 million. This would increase the debt-to-revenue ratio by 7 - 9 per cent over the next five to seven years, remaining within current debt limits all else remaining equal.
62. The council has a number of options to fund the proposed package in the Long-term Plan, including reducing or deferring other capital spending, sale of assets, service reductions, and rates. These decisions may also be impacted by policy decisions from central government that change the council's current debt, cost or revenue settings.
63. If the council were to proceed with the full proposed programme and fund it using only rates, then this would require an additional rates increase equivalent to 3.1 per cent of general rates, which could be phased in over two years. Any rates increase would be on top of other significant budget pressures the council is facing. Current indications suggest overall rates increases of over 10 per cent for 2024/2025 for residential ratepayers, if cost reductions or other funding sources are not found.

### Financial implications of property categorisation methodology

64. The financial implications of different decisions in terms of both the property categorisation methodology and the property purchase methodology are assessed in the context of the funding agreement with the Crown.

#### Funding agreement

65. The funding agreement provides for initial funding of \$387 million from each party (a total of \$774 million). If this is exceeded, then the Crown and the council would enter into good faith discussions on next steps.
66. If the total cost of the buy-out scheme exceeds the initial cap and an agreement is reached with the crown to increase the cap on the same basis then additional budget of 50% of the increased level would be required.
67. If the initial cap is exceeded and no agreement is reached then the council would need to decide whether to continue the scheme. If the scheme was continued, without Crown support, it would need to be fully funded by the council.
68. If the total cost of the buy-out scheme is below the initial limit of \$774 million the council funding requirement would be lower by 50% of the amount of the reduction.

### Choices, options and scenarios

69. Given the high level of uncertainty around key factors such as the number of properties, their values, property usage, insurance status and insurance payout levels it is hard to estimate the total cost of the scheme and the potential impact of different settings.
70. The attached policy analysis includes, for each choice, an assessment of the impact different options would likely have on the affordability of the scheme.
71. Also included in this analysis is modelling of the potential total scheme cost, based on a number of assumptions, for different scenarios. Sensitivity of this modelling to different factors is also included.

### **Ngā raru tūpono me ngā whakamaurutanga** **Risks and mitigations**

72. The proposed co-funding package carries a number of risks for Auckland Council, including:
73. **Limited information as a basis for decision making.** Officers have negotiated the co-funding package and developed options for implementation based on the best available information. However, this information is significantly less fulsome than would normally be the case. It is not clear how many properties have been severely impacted by the severe weather events (for example due to under-reporting by property owners). Initial cost estimates have been made for risk mitigation projects, but these require further design and development work.
74. **Risks of under-funding.** Connected to the limitations of information, there is a risk that the funding package will not be adequate to support recovery from the severe weather events. There is a good faith provision in the funding agreement to return to the government if the Voluntary Buy-out Support Scheme proves to be too low.
75. **Compressed timeframes to develop and consult on policy options.** This was an unavoidable result of the need for urgency. It was anticipated in severe weather legislation, and through the Order in Council which allows Auckland Council to purchase category 3 properties without first amending its LTP. Significant efforts were made to reach Aucklanders in the consultation process, including media outreach, a webinar and library drop-in sessions. Those most impacted by the severe weather have also made their views known through other channels into the council.
76. **Risks of over-burdening Auckland Council's staff and resources** to administer the Voluntary Support Scheme and take on the management of the residual land. This is an ongoing risk that will be partially mitigated through making the Voluntary Support Scheme and methodology as simple as possible and do not promote unnecessary dispute. This is especially the case if potential rules would ultimately be counter-productive for the council financially, reputationally or in terms of drag on the council's operational and management resource.
77. **Difficulty of meeting diverse community expectations and consequent reputational and litigation risks.** Regular and clear communication with affected communities is an important part of the recovery process. This approach will be applied to the activities resulting from the co-funded storm recovery package.
78. For context, the risks of "doing" must be counterbalanced against the risks of "not doing" which might be greater.

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### Risks specific to the Voluntary Buy-out Support Scheme

79. A range of legal, financial and operational risks are associated with approving and implementing a buy-out and response programme of this type. While some of those risks are unavoidable, the council should endeavour to identify and manage risks as best as possible. For context, the risks of “doing” must be counterbalanced against the risks of “not doing” which might be greater.
80. Legal Professional Privilege s 7(2)(g) LGOIMA  
[Redacted]
81. Within those considerations, there is benefit in programme rules that are as simple as possible, and which do not promote unnecessary dispute. This is especially the case if potential rules would ultimately be counter-productive for the council financially, reputationally or in terms of drag on the council’s operational and management resource.
82. The programme is co-funded by the Crown and both the Crown and the council have important accountability and audit requirements. Auckland Council’s policy and approach will be subject to detailed audit review, and the council will be under strict reporting obligations to the Crown for the funding drawn down and spent on the programme. Probity risks will also need to be managed, as for any “entitlement” based programme, although in larger part property acquisition on agreed valuation basis is more objectively transparent than grant programmes which might require additional assurance overlays.
83. Executing this programme, even on simple policy settings, will be a significant resource demand for the council for the immediate buy-out workstream, the mitigation works, and the remedial and post-acquisition work. The buy-out programme is not just a land transfer activity, it is land transformation. The tail-end work after the buy-outs will likely continue for many years. The council is not being given any special regulatory powers to implement the programme, and in some instances the council will effectively have to undertake property subdivision activity and other land title regularisation.
84. Auckland Council’s role in the buy-out and mitigation programme is necessarily independent from its regulatory role on managing dangerous buildings, consenting, enforcement and plan changes. While obvious to the council, this is not obvious to property owners who may conflate the two functions. The council will have to carefully manage expectations around this distinction, and in particular that the council’s regulatory activities are not affected by decisions on whether or not to buy-out particular properties.

### Ngā koringa ā-muri Next steps

85. Subject to the decisions of the Governing Body, the funding agreement will be completed and signed by the Mayor, Deputy Mayor and Ministers.
86. Scoping work is underway for the risk mitigation projects and the required repairs to the transport network. Applications for funding of these will be competed in line with the requirements set by Crown Infrastructure Partners to access the allocation from the National Resilience Plan.



87. Technical assessment of storm-impacted properties will continue, with properties beginning to move to the categorisation step and, where relevant, the buy-out process. Future work is required to consider and confirm the objectives for category 3 land management after acquisitions are complete.
88. Consideration of the council's role in the recovery of category 2P properties is currently under development and will be reported to the Governing Body at the next Governing Body meeting.
89. Planned recovery efforts will be presented in the Tāmaki Makaurau Recovery Plan. The Plan will facilitate and communicate the collaborative delivery of recovery projects across the region.
90. The decisions made in this report will be communicated once the agreement is signed with the Crown.

## Ngā tāpirihanga Attachments

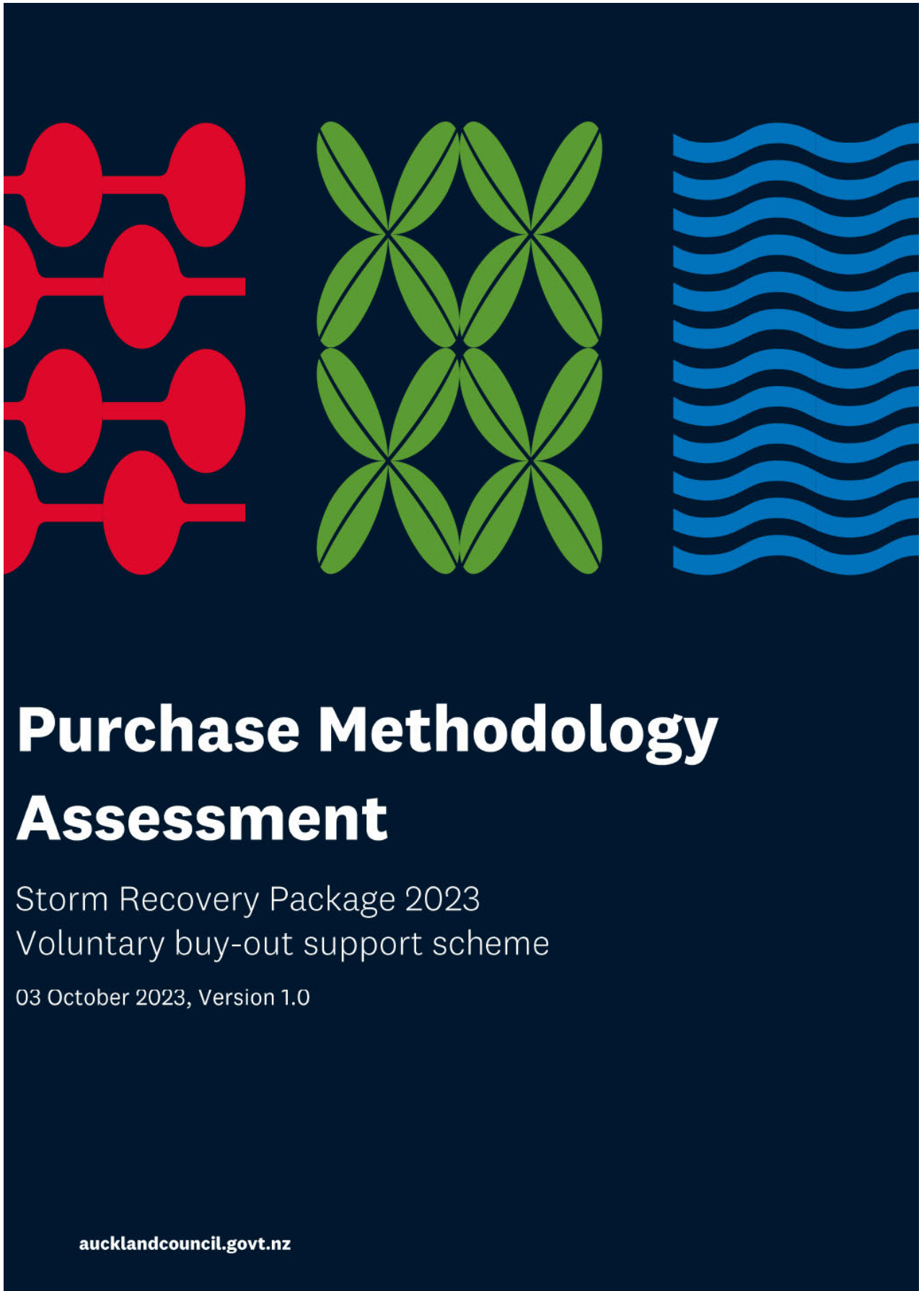
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# Purchase Methodology Assessment

Storm Recovery Package 2023  
Voluntary buy-out support scheme

03 October 2023, Version 1.0

[aucklandcouncil.govt.nz](http://aucklandcouncil.govt.nz)

Item C1

Attachment A

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## Introduction

1. As part of any co-funding agreement between Auckland Council and the Government we need to prepare a property purchase methodology. This will be attached to any final agreement.
2. This assessment report sets out staff advice to assist Governing Body decisions about the content of the property purchase methodology.
3. This assessment focuses on providing advice for additional decisions about who can access the Voluntary Buy-out Support Scheme for property owners and the level of support that can be provided. The property purchase methodology will be used to implement the scheme offer.
4. The key parameter for access to the voluntary support scheme is 'intolerable risk to life'. This parameter has been set by the Government's initial affected areas risk classification framework. The relevant definition in the draft co-funding agreement is:
  - Category 3 Property: means a residential property, or a residential portion of a mixed-use property, which:
    - (i) has been impacted by the North Island Weather Events where there is an intolerable risk to life, and it is not feasible to mitigate that risk; and
    - (ii) the Recipient has categorised as a Category 3 Property using the Nominated Categorisation.
5. An Auckland Council land categorisation methodology also needs to be attached to any final co-funding agreement. Assessment as a Category 3 property using this land categorisation methodology will be the starting point for access to the Voluntary Buy-out Support Scheme.

## Current State

6. As part of the North Island Weather Events recovery, the Government announced that a property buy-out process for impacted owners would be offered by councils.
7. Despite the council having no duty or obligation for private property purchase, government announcements, and the devastating impact of wet weather events on Aucklanders, led the council to enter into funding negotiations with Government.
8. Public consultation with Aucklanders about the storm response package which is based on the draft co-funding agreement was completed on 24 September 2023. The views of Aucklanders are represented where relevant in this report.
9. The co-funding package agreed for public consultation supports the repair of damaged roads and other infrastructure, reduces the risk of future hazards, and offers support to property owners to get people out of housing situations that pose an intolerable risk to life.
10. The Voluntary Buy-out Support scheme is a one-off response to these specific events, as the council does not ordinarily deliver this type of support.



11. The council has a clear role and direction for water-related hazards [refer ECC/2022/5]. It has publicly stated that its role is not:
  - as a guarantor of private property interests or loss
  - to be responsible for compensating landowners in case of loss due to any severe weather event or natural disaster
  - an insurer of first or last resort.
12. Auckland Council as a Unitary Authority is clear that it has a leadership role and responsibilities as a regulator, emergency responder, information and service provider, landowner, and advocate. The council:
  - commits to long-term solutions that improve our ability to respond to the water-related impacts of climate change
  - fulfils its leadership role as a unitary authority, alongside the shared responsibility between the government and Aucklanders to respond to the water-related impacts of climate change
  - follows a financially prudent, consistent, planned, and equitable approach to the investment of public funds to respond to the water-related impacts of climate change.
13. Auckland Council also has a clear position that it will look to minimise the decisions that enable moral hazard. The private property support/buy-out is a one-off response in order to also minimise moral hazard.
14. 'Moral hazard' refers to the risks that someone becomes more inclined to take more risk now because they have reason to believe that someone else (e.g., the government or an insurer) will cover the costs of any future losses.

## Whakarāpopototanga / Summary

### What is the problem

- The Auckland Anniversary and Cyclone Gabrielle extreme weather events resulted in a process to categorise the risk of some Auckland residential properties.
- Some will be assessed as Category 3 - pose an intolerable risk to the life of occupiers.

### What can we do about it

- Public consultation with Aucklanders about the council government storm response package was completed on 24 September 2023.
- This response package includes an Auckland Council administered residential property purchase scheme. This is a voluntary support scheme for property owners.
- The overarching objective of this scheme is to: *support Aucklanders to voluntarily relocate from residential housing situations on properties that pose an intolerable risk to their lives.*

### Who will the support scheme impact

- Affected Category 3 property owners who can access the scheme and Aucklanders who contribute the costs of the scheme.

### What are the support scheme options

- Staff assessment focuses on options to deliver the voluntary support scheme.
- There are narrow margins of difference between how options deliver the policy intent. In response staff have provided advice on a recommended option and alternative option (see agenda report resolutions).
- Staff have recommended the following options:
  - Market valuation pre-events
  - \$1.5million maximum buy-out payment cap
  - No homeowner contribution
  - Do not take insurance (uninsured/underinsured) status into account
  - Secondary properties (holiday homes, baches) excluded
  - Include a process for special circumstances.
- Staff consider that the recommended options can deliver the voluntary support scheme policy intent.
- Multiple options have been assessed, and staff acknowledge that these options can be applied in different ways. There is a range of assumptions and constraints identified in this report, that underly the staff assessment. Different choices can be made to achieve the policy intent which have different trade-offs and different levels of risk. This includes the levels of support from Aucklanders as contributors to the scheme costs.

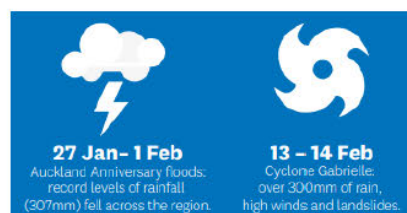
## Horopaki / Context

### Auckland had unprecedented levels of rainfall during two severe weather events

15. Severe weather events in January and February 2023 have had a devastating and lasting impact on many communities, families and thousands of individuals across Tāmaki Makaurau / Auckland.
16. Flooding and land slips have damaged or destroyed thousands of homes and changed people's lives.
17. Essential lifeline infrastructure and facilities have been impacted and are in urgent need of repair. This includes roads, bridges, stormwater systems and community facilities.

### Eight months on, many Aucklanders with impacted homes are still facing a challenging and uncertain future

18. Aucklanders need support and we need to improve the resilience of our infrastructure so that we are better prepared and can mitigate the impacts of severe weather events.
19. Auckland Council has worked with central government to secure a co-funding agreement. This storm recovery package will support the repair of damaged roads and other infrastructure, reduce the risk of future impacts, and offer support to people needing to get out of housing situations that pose an intolerable risk to their lives.



### The government funding is offered as a package

20. The storm recovery package requires the full co-investment from Auckland Council to realise the programme funding share. To achieve all the outcomes of the package the government would provide just under \$1.1 billion of new and reprioritised existing funding, with the council investing around \$900 million.
21. This is the same “locally led, centrally-supported” approach that has been taken with other regions. It is different from the Christchurch earthquake recovery, where central government funded all the purchase of properties.
22. If the council decides to finalise the co-funding agreement, we will be responsible for administering and undertaking the purchasing of ‘category 3’ properties, as well as carrying out our existing roles in transport and stormwater management.
23. This document provides an assessment of access and support options to implement the Voluntary Buy-out Support Scheme outcome and objective.

## Voluntary Buy-out Support Scheme Policy Intent

### Te tautuhinga raru / Problem definition

24. Government announcements on the Auckland Anniversary and Cyclone Gabrielle severe weather events resulted in a process to categorise the risk of some Auckland residential properties. Some will be assessed as Category 3 - pose an intolerable risk to the life of occupiers.
25. Because of this categorisation, Category 3 properties have been assessed as too risky to occupy. This means that:
  - the level of risk to life of current and future owners is intolerable
  - the level of risk to life cannot feasibly be mitigated by property level or community level interventions.
26. Without some level of support to move households face an ongoing risk to their lives:
  - properties may be repaired to a habitable condition and lived in with no mitigation in the intolerable risk to life
  - some people may have no option but to live with the risk whether the property is habitable or not, safe or not as they cannot afford to relocate.
27. These households may become entrenched in a disaster-rebuild-disaster cycle, with higher recovery costs, and little or no insurance cover in circumstances where the property has been assessed as posing an intolerable risk to life.

### Ngā putanga / Policy outcome

**New state for purchased Category 3 properties:**

Permanent removal of intolerable risk to life

28. The intended policy outcome for purchased properties is the **permanent removal of intolerable risk to life**. The outcome is sought, in relation to residential properties assessed as Category 3.
29. The policy intervention considered best able to achieve this outcome is residential property purchase through a voluntary support scheme. We note that, in public consultation, '58% of those who do not support the package and commented, disagree with using public funds to buy-out properties.'

30. 36% of those who do not support the package and commented, emphasised property owners should take personal responsibility. 23% of those who do not support the package and commented, expressed the view that central government or EQC should fund the buy-out and/or recovery.
31. 86% of those who supported the package and commented, supported the buy-outs – often with conditions.
32. This policy intervention (voluntary residential property purchase) is identified for the assessed level of risk, in the absence of other feasible interventions (refer land categorisation methodology).
33. The land categorisation methodology also identifies other risk categories, and other more feasible interventions that mitigate risk to a tolerable level such as: community level interventions, property level interventions or a combination of both.
34. The extent to which the policy outcome can be achieved relies on a property owner's willingness to sell their property to Auckland Council. And ensuring that the scheme funding can acquire the number of properties needed. The permanent removal of an intolerable risk to life will be achieved for those households who choose to accept a property purchase offer.
35. The scheme policy outcome is sought using a residential property purchase intervention noting that this method is generally outside the council's current role and direction on water related hazards. The decision to implement a residential property purchase intervention is based on the:
  - unprecedented nature and impact of the January – February 2023 severe weather events
  - response proposed being a one-off, made necessary by the urgent and extraordinary scale of the events
  - one -off nature of the response reconfirms that the council is not a guarantor of private property interests or insurer of first or last resort
  - level of risk to households without support to relocate given there is no other feasible way to reduce risk to a tolerable level
  - announcements by government committing council to a property buy-out scheme
  - benefits to ratepayers through co-funding agreement for the high public infrastructure recovery costs
  - advocating for a national framework to be developed to support private property purchase for future extreme weather events.



## Ngā whāinga / Policy objective

### Overarching policy objective

To support Aucklanders to voluntarily relocate from residential housing situations on properties that pose an intolerable risk to their lives.

36. The intent of the policy objective is to provide a level of support that allows property owners to voluntarily accept a buy-out offer for their Category 3 residential property, across the number of properties who can access the scheme.
37. The level of access and support provided will be assessed, based on meeting our policy objective of removing people from housing situations of intolerable risk. This will allow households to relocate away from housing situations on properties that pose an intolerable risk to their lives.
38. It is a people-focused policy objective, as it will support a household's ability to re-establish their families and everyday lives in a safer place.
39. It is not the policy intent of the Voluntary Buy-out Support Scheme to compensate financial loss, or hardship. While this may occur in part through the scheme, it is not the intent.

### Secondary policy objectives

40. Voluntary support/buy-out schemes can be difficult to administer. In the United States where 1,100 counties across 49 states have used voluntary buy-outs, the 'buyout programs have been critiqued for being slow, expensive, and possibly inequitable'<sup>1</sup>. A range of factors need to be considered.
41. Secondary policy objectives help factor in the complicated range of considerations and constraints that exist as part of achieving the overarching policy objective and ultimately the policy outcome. They have been used to assess the different scheme implementation options, particularly the trade-offs and risks that different options have in the delivery of the policy intent.
42. The secondary policy objectives are unweighted, of equal value and allow for subjective assessment.

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<sup>1</sup> Floodplain Buyouts: Challenges, Practices, and Lessons Learnt, A.R Siders & L. Gerber-Chavez, 2021.

- **Effective:** considers the impact an option will have on the speed and uptake of buy-out to remove the intolerable risk to life posed to households from their property
- **Affordable:** considers the impact of the option with the amount of funding available across the number of properties that need to be purchased to remove intolerable risk to life. Affordability assumptions and scenarios have been used to help make an assessment against this objective as a high level of uncertainty exists (refer Appendix 1)
- **Fair and consistent:** with policy intent considers if the option meets our legal obligations to be fair and for the scheme to be consistent with the stated policy intent
- **Equitable:** considers the impact of the option on scheme equity for those most in need and those who fund the scheme.

*25% of those who supported the package and commented on fairness and equity, expressed a desire that the process should be quick, transparent and considerate of the financial impact on affected property owners.*

### **How does the Voluntary Buy-out Support Scheme work as an intervention**

43. The proposed Voluntary Buy-out Support Scheme responds to a draft council/government co-funding agreement that includes residential property buy-out.
44. It is a property purchase intervention that supports residential households in the Auckland region to voluntarily relocate from properties categorised with intolerable risk to life - with no feasible mitigation.
45. Assessment as a Category 3 property using the land categorisation methodology attached to any final co-funding agreement will be the starting point for access to the scheme.
46. The scheme is implemented based on a property purchase methodology attached to any final co-funding agreement.
47. Property owners can choose whether to access the scheme or not.
48. An offer to buy the property is made by the scheme to the property owner.
49. The property owner decides whether to accept or decline any purchase offer.
50. Auckland Council uses its subsequent property ownership to essentially retire the property from uses that pose an intolerable risk to life. In effect achieving the permanent removal of the intolerable risk to life.

51. All future use of the purchased property is limited to those that maintain the removal of intolerable risk to life.
52. The success of the scheme towards its policy outcome and objective is based on the level of property buy-out achieved. The two determinants of this are the amount of funding available across the number of properties to be purchased and the number of property buy-outs achieved.

*'Underlying this approach also was a number of assumptions – that if people: understood the 'big picture' issues ....., had a collective 'ownership' of the problem and solutions through a community/council partnerships approach, comprehended the options that had been considered and/or taken to address the issue, saw the potential risks and benefits for their own properties then they would not feel coerced or rushed into making a decision and were more likely to eventually agree to take part in the collaborative processes'<sup>2</sup>.*

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<sup>2</sup> Project Twin Stream case study: Large-scale property purchase without recourse to compulsory purchase, Ministry for the Environment, July 2011.

### Who can access the Voluntary Buy-out Support Scheme

53. Based on the draft co-funding agreement, and the policy intent, the Voluntary Buy-out Support Scheme can be accessed by residential property owners whose property contains a legally established dwelling and their property is assessed as a:
- Category 3 property due to the Auckland Anniversary Flood 27 January - 1 February 2023 and Cyclone Gabrielle: 13-14 February 2023 events.
54. Decisions by the Governing Body on access and support options contained in this paper and decisions on the land categorisation methodology may change the current access parameters.
55. The assessment for the Voluntary Buy-out Support Scheme in this report has been undertaken based on the outlined scope (refer Table 1: Scope for the scheme).

**Table 1: Scope for the scheme**

In Scope of voluntary support scheme	Out of Scope of voluntary support scheme
Based on land classification methodology and draft funding agreement	
<p><b>Two severe weather events</b> 27 January- 1 February 2023: Auckland Anniversary Flood. 13-14 February 2023: Cyclone Gabrielle</p>	<p><b>Other severe weather events</b> Damage or intolerable risk preceding or post the two named severe weather events is excluded. This is a one-off residential support package tied to the two identified severe weather events.</p>
<p><b>Category 3 Properties</b> Category 3 residential properties are not safe to live in because the risk from future flooding or landslips is intolerably high. Options to reduce this risk at a property or community level are not feasible. Homes in these areas should not be rebuilt or remain on their current sites.</p>	<p><b>Category 2 &amp; 1</b> Category 2 – homes in Category 2 are not safe to live in because the risk from future flooding or landslips is intolerably high. For Category 2 properties, interventions to reduce the risk to a tolerable level are possible and affordable, either at community (2C) or property (2P) level. Category 1 – the risk associated with Category 1 properties is considered tolerable, and repair is all that is required to manage risk of future severe weather events.</p>
<p><b>Residential Property Owners</b> (with legally established dwelling on property) The scheme supports residential property purchase which can only be undertaken with the property owners not tenant/lessee.</p>	<p><b>Commercial Property Owners</b> Commercial property or commercial development rights, revenue or income.</p>
<p><b>Voluntary</b> Purchase determined by council as the 'willing buyer' and 'willing seller' the owner of a Category 3 property.</p>	<p><b>Compulsory</b> Compulsory property purchase is not part of the proposed scheme.</p>

### What are the constraints?

56. The assessment in this report has been undertaken considering the following support scheme constraints:

- the level of buy-out achieved will be determined by the number of Category 3 property owners voluntarily 'willing to sell'
- \$774m of funding is available with certainty, and agreement between funders is required for more
- there is limited information available to estimate affordability of scheme (number of impacted households, property values, ownership status, insurance level)
- there is a lack of information available about individual property owners' personal circumstances, ownership type, financial circumstances, values, and needs.

### What are the assumptions?

57. The assessment for this report has been undertaken considering the following Voluntary Buy-out Support Scheme assumptions:

- the way the scheme works will consider a fair outcome for impacted homeowners and for the Aucklanders who will have to fund buy-outs
- property ownership carries risks and Aucklanders, through Auckland Council, do not guarantee owners against loss, and are not compensating for natural hazard damage, financial loss or hardship
- the scheme will top up insurance and EQC payments and is not generally a replacement for these, so the insurance claims will need to have been substantially settled, before finalising any scheme offer
- public consultation material confirmed that scheme access (fair value, treatment of secondary properties and no insurance) and the level of support (fair value, caps, percentage contribution) will be subject to Governing Body decision-making and consideration of public feedback
- Auckland Council administers the scheme and subsequent management of all land purchased
- this is a one-off residential support package tied to the two identified extreme weather events.
- a national framework will be developed to support private property purchase for future extreme weather events.



## Assessment of options

### Options

58. This assessment of options sets out staff advice to assist Governing Body decisions about the level of access and generosity of the voluntary support scheme building on the minimum conditions set out of the draft co-funding agreement.
59. The options (refer Table 2: list of policy options for the scheme) are based on those identified in the storm recovery package public consultation document.
60. The decision on the options will form the content of the property purchase methodology that needs to be attached to any final co-funding agreement. Assumptions about how some of the options work together is outlined in Appendix 2.

**Table 2: List of policy options for scheme**

Design	Design options
Valuation method	Option One: Current CV Option Two: Market valuation pre-events Option Three: Market valuation post-events
Maximum level of buy-out support	Option One: \$1.5million maximum payment cap Option Two: \$2.5million maximum payment cap Option Three: \$5million maximum payment cap Option Four: No maximum payment cap
Level of homeowner contribution	Option One: No homeowner contribution Option Two: 5% homeowner contribution Option Three: 20% homeowner contribution
Differentiated approach based on insurance Status (uninsured/underinsured)	Option One: Do not take insurance status (uninsured/underinsured) into account Option Two: Take insurance status (uninsured/underinsured) into account with a homeowner contribution of up to 20%
Differentiated approach based on a secondary property	Option One: Secondary properties (holiday homes) excluded Option Two: Secondary properties (holiday homes) included Option Three: Secondary included with limitations
Consideration of Special Circumstances	Option One: Include a process for special circumstances Option Two: No process for special circumstances

*'The nature, design, and generosity of compensatory arrangements (including social insurance) vary internationally, as well as over time and across different types of losses. Partial, rather than full, compensation is common. For instance, there are often financial caps, excesses, and other limits on the level or form of compensation'.<sup>3</sup>*

<sup>3</sup> Funding Managed Retreat: Designing a Public Compensation Scheme for Private Property Losses: Policy Issues and Options, Jonathan Boston, 2023.

### Decision-making trade-offs

61. There are two key trade-offs to balance in achieving the policy intent. This is between the number of Category 3 homes that need to be acquired and the level of support for each.

- **Level of support:** the scheme can be designed to expediate voluntary uptake. This would be achieved by providing more generous support/buy-out, and minimising limits and checks. This would also be most likely to enable support/buy-outs to be made quickly **Legal Professional Privilege s 7(2)(g) LGOIMA**.

This approach would also increase the risk that the scheme cannot be delivered to all the eligible intolerable risk to life properties within the existing funding. Exceeding the available funding would require further negotiation with government, with no guarantee of additional funding.

There would be a risk of the programme slowing or stopping if no additional funds are provided. **Legal Professional Privilege s 7(2)(g) LGOIMA**.

- **Level of access:** the scheme can be designed to maximise the likelihood that the support can be delivered to all the Category 3 properties that need to be purchased within the funding currently available.

This could be achieved through a range of limits and checks that would add complexity, extend the timeframe for decisions, **Legal Professional Privilege s 7(2)(g) LGOIMA**.

## Ngā tūtohunga / Recommended

### Staff recommended options

62. A range of options has been assessed for consideration. There are narrow margins of difference between how well some of the options deliver the policy intent.
63. To respond to this, staff have provided advice on a recommended option and alternative option for consideration. Making decisions between the options depends on what policy objectives are prioritised in meeting the policy intent.

### Generosity of offer

Valuation method	Staff recommended option			
<p>That Governing Body agrees:</p> <p>Either:</p> <p><b>Option Two:</b> Market valuation pre-events (recommended)</p> <p>Or alternative:</p> <p><b>Option Three:</b> Market valuation post-events not taking damage into account</p>	<p>Staff recommend option two for the following reasons:</p> <ul style="list-style-type: none"> <li>Taking this approach would be most effective for getting voluntary uptake and meeting the policy objectives and outcomes.</li> <li>It is likely to be a preferred method with impacted property-owners.</li> </ul> <p>Option three Market valuation post event may be appropriate for the following reasons:</p> <ul style="list-style-type: none"> <li>Market valuation post event, not taking into account damage has the benefit of fairly valuing the properties as if they were selling today and the damage from events had not occurred.</li> <li>Contributes to the affordability of the scheme.</li> <li>There is a narrow margin between all the options.</li> </ul> <p>Key trade off:</p> <ul style="list-style-type: none"> <li>If you prioritise effectiveness (expedite uptake), fair and consistent objective, then option two: market valuation pre-events would be the preferred.</li> <li>If you prioritise affordability with a balanced approach across all of the secondary objectives, then option three: market valuation post-event: not taking into account damage would be preferred.</li> <li>If you prioritise affordability, then option three market valuation post-event: may be preferred.</li> </ul>			
Options	Effective	Affordable	Fair & consistent	Equitable
Option One: Current CV	✓✓	✓✓	✓✓	✓✓
Option Two: Market valuation pre-events	✓✓✓	✓	✓✓✓	✓✓
Option Three: Market valuation post-events or *Variation-post event not taking damage into account)	✓ OR ✓✓*Not taking damage into account:	✓✓✓ OR ✓✓*Not taking damage into account	✓✓ OR ✓✓* Not taking damage into account	✓✓ OR ✓✓ * Not taking damage into account

Maximum level of buy-out support	Staff recommended option			
<p>That Governing Body agrees:</p> <p>Either:</p> <p>Option One: \$1.5million maximum payment cap, after considering any insurance (recommended)</p> <p>Or alternative:</p> <p>Option Four: No maximum payment cap (after considering any insurance)</p>	<p>Staff recommend option one for the following reasons:</p> <ul style="list-style-type: none"> <li>The \$1.5million maximum buy-out is assessed to best meet the objectives.</li> <li>This option is most likely to keep within the funding allocation.</li> </ul> <p>Option four – no maximum payment cap (after considering any insurance) – may be appropriate for the following reasons:</p> <ul style="list-style-type: none"> <li>This option is a more equitable and less contentious approach but may result in higher overall costs.</li> <li>There is a clear trade-off between affordability and effectiveness between these two options.</li> </ul> <p>Key trade-off:</p> <ul style="list-style-type: none"> <li>If you prioritise affordability and equity for those who fund the scheme and ensure access for all then option one: \$1.5 million maximum cap is the preferred option.</li> <li>If you prioritise effectiveness (expedite uptake), fair and consistent, then option four: <b>no maximum value</b> would be the preferred option.</li> </ul>			
Options	Effective	Affordable	Fair & consistent	Equitable
Option One: \$1.5million maximum payment cap (after considering any insurance)	✓✓	✓✓	✓✓	✓✓✓
Option Two: \$2.5million maximum payment cap (after considering any insurance)	✓✓	✓	✓✓	✓✓
Option Three: \$5million maximum payment cap (after considering any insurance)	✓✓✓	✓	✓✓	✓
Option Four: No maximum payment cap (after considering any insurance)	✓✓✓	✓	✓✓✓	✓

Level of homeowner contribution	Staff recommended option			
<p>That Governing Body agrees:</p> <p>Either: Option One: No homeowner contribution, after considering any insurance and cap (recommended)</p> <p>Or alternative: Option Two or Three: 5% or 20% homeowner contribution (after considering any insurance and cap)</p>	<p>Staff recommend option one for the following reasons:</p> <ul style="list-style-type: none"> <li>Taking this approach would represent a generous offer and would maximise and expedite voluntary uptake and achievement of the policy objectives and outcome.</li> <li>It minimises the impact on those who are most vulnerable and have the greatest need.</li> <li>If the support scheme is not sufficiently generous the property owner may not choose to take up a voluntary support/buy-out offer and continue to reside at their property and remain exposed to an intolerable risk to life.</li> </ul> <p><b>Option two- 5% homeowner contribution- may be preferred, it is only slightly less effective than option one, yet contributes towards affordability.</b></p> <p>Option three 20% -homeowner contribution (after considering any insurance and cap) -may be appropriate for the following reasons:</p> <ul style="list-style-type: none"> <li>Contribution by homeowners is made as a recognition of equity to those who fund the scheme and affordability to ensure all can access the scheme.</li> <li>This option is most likely to keep within the funding allocation.</li> </ul> <p>Key trade-off:</p> <ul style="list-style-type: none"> <li>If you prioritise effectiveness (expedite uptake) then option one: no homeowner contribution is the preferred option, followed by option two- which is similar.</li> <li>If you prioritise affordability than option three; 20 % homeowner contribution may be preferred. This will be less effective if applied in addition to a maximum payment cap. It is likely to reduce uptake and increase the pressure on affected owners to take an offer where they feel they have no other available choice.</li> </ul>			
Options	Effective	Affordable	Fair & consistent	Equitable
Option One: No homeowner contribution (after considering any insurance and cap)	✓✓✓	✓	✓✓	✓✓
Option Two: 5% homeowner contribution (after considering any insurance and cap)	✓✓	✓	✓✓	✓✓
Option Three: 20% homeowner contribution (after considering any insurance and cap)	✓	✓✓✓	✓✓	✓



**Differentiating access to scheme**

Approach to Insurance Status	Staff recommended option			
<p>That Governing Body agrees:</p> <p>Either:</p> <p>Option Two: Do not take insurance (uninsured/underinsured) status into account (recommended)</p> <p>Or alternative:</p> <p>Option One: Take insurance status (uninsured/underinsured) into account with a homeowner contribution up to 20%</p>	<p>Staff recommend option two for the following reasons:</p> <ul style="list-style-type: none"> <li>• Taking this approach would be administratively simpler, which would increase uptake.</li> <li>• This option is most consistent with achieving the policy objectives and outcome for households to relocate away from housing situations on properties that pose an intolerable risk to their lives.</li> <li>• This will not have a negative impact on uninsured/underinsured property owners – these people are most likely to be vulnerable and have the greatest need.</li> <li>• <b>Legal Professional Privilege s 7(2)(g) LGOIMA</b></li> <li>• Because this is a one-off scheme moral hazard has not been considered.</li> </ul> <p>Option one, take insurance (uninsured/underinsured) status into account, homeowner contribution up to 20% – may be appropriate for the following reasons:</p> <ul style="list-style-type: none"> <li>• This option is most likely to keep within the funding allocation.</li> <li>• This option recognises fairness and equity for those affected owners who are insured as they have effectively made their contribution to the scheme, already through insurance payments.</li> <li>• Likely to be seen as fairer by insured property owners and members of the public and recognition of the risks of home ownership.</li> <li>• More likely to impact those least able to afford insurance.</li> </ul> <p><b>Legal Professional Privilege s 7(2)(g) LGOIMA</b></p> <p>Key trade-off:</p> <ul style="list-style-type: none"> <li>• If you prioritise effectiveness (expedite uptake) and affected owner aspects of the equity objective, then option two; do not take insurance status into account, is the preferred option.</li> <li>• If you prioritise affordability and fairness and equity aspects for those who fund the scheme particularly insured affected owners, then option one: take insurance status into account may be preferred.</li> </ul>			
Options	Effective	Affordable	Fair & consistent	Equitable
Option One: Take insurance status (uninsured/underinsured) into account with a homeowner contribution up to 20%	✓✓	✓✓✓	✓✓	✓✓
Option Two: Do not take insurance (uninsured/underinsured) status	✓✓✓	✓✓	✓✓✓	✓✓

Approach to secondary properties	Staff recommended option			
<p>That Governing Body agrees:</p> <p>Either: Option One: Secondary properties (holiday homes) excluded (recommended)</p> <p>Or alternative: Option Two: Secondary properties (holiday homes) included</p>	<p>Staff recommend option one for the following reasons:</p> <ul style="list-style-type: none"> <li>• Taking the policy objectives into account secondary properties such as baches and holidays homes do not represent an intolerable risk to life to the owner or short-term renter as both have a primary dwelling to live in and can choose not to stay in the property.</li> <li>• Excluding secondary properties will provide an additional lever towards ensuring access for all and being able to deliver the policy intent within available funding.</li> </ul> <p>Option two – secondary properties included – may be appropriate for the following reasons:</p> <ul style="list-style-type: none"> <li>• Transparent option. Seen as fair by those impacted.</li> <li>• Provides more certainty that a change of use to a primary residence with intolerable risk to households won't occur.</li> </ul> <p>Key trade-off:</p> <ul style="list-style-type: none"> <li>• If you prioritise affordability, and equity aspects for those who fund the scheme then option one is preferred.</li> <li>• If you prioritise a high level of certainty around achieving the scheme objectives for lives at risk effectiveness (expedite uptake) option two may be the preferred option.</li> </ul>			
Options	Effective	Affordable	Fair & consistent	Equitable
Option One: Secondary properties excluded	✓✓	✓✓✓	✓✓✓	✓✓✓
Option Two: Secondary properties included	✓✓	✓	✓✓	✓✓
Option Three: Secondary included with limitations	✓	✓✓	✓✓	✓✓

Consideration of special circumstances	Staff recommended option			
<p>That Governing Body agree:</p> <p>Option One: Include a process for special circumstances</p>	<p>Staff recommend this option for the following reasons:</p> <ul style="list-style-type: none"> <li>This option is most consistent with achieving the policy objectives and outcome for households to relocate away from housing situations on properties that pose an intolerable risk to their lives.</li> <li>More equitable for all particularly for individuals and communities with greatest need.</li> <li>Provides options to consider differing circumstances, especially those more vulnerable and least able to afford being excluded from the support/buy-out scheme.</li> <li>This option does not discriminate in individual circumstances.</li> </ul> <p>Key trade-off:</p> <ul style="list-style-type: none"> <li>If you prioritise effectiveness (expedite uptake) and equity, then include a process for special circumstance is the preferred option. This has the least decision-making risk and can help mitigate the risks of other decisions.</li> <li>If you prioritise simplicity aspects of effectiveness and managing affordability, then option two may be preferred.</li> </ul>			
Options	Effective	Affordable	Fair & consistent	Equitable
Option One: Include a process for special circumstances	✓✓✓	✓✓	✓✓✓	✓✓✓
Option Two: No process for special circumstances	✓✓	✓✓	✓	✓

### Staff recommended options summary

64. Staff have undertaken an assessment of scheme options to assist decision-making about the level of access and support the scheme might provide. Based on this assessment, staff recommend the following options:
- Market valuation pre-events
  - \$1.5million maximum buy-out payment cap
  - No homeowner contribution
  - Do not take insurance (uninsured/underinsured) status into account
  - Secondary properties excluded
  - Include a process for special circumstances.
65. Staff consider that these options can deliver the voluntary support scheme policy intent. As a package the options represent a somewhat generous scheme.
66. The options for a 'maximum buy-out payment cap' and the 'exclusion of secondary properties' risk being contested by affected property owners.
67. The 'exclusion of secondary properties' can be considered through special circumstances in exceptional or unusual cases.
68. There is a risk to decision-making that is not mitigated for both of these options. It is the lack of information available about the impact of both options, on affected owners and the high level of uncertainty and assumptions used in the staff criteria assessment particularly about affordability.
69. The nature of the events and volume of affected property in Auckland is vastly more complex than in other parts of the motu, so the data underpinning our assumptions is less certain.
70. The options for 'no homeowner contribution' and 'not taking insurance status into account' risk being questioned by Aucklanders who contribute to the scheme costs.
71. Multiple options have been assessed, and staff acknowledge that these options can be applied in different ways. There is a range of assumptions and constraints identified in this report, that underly the staff assessment. Different choices can be made to achieve the policy intent which have different trade-offs and different levels of risk. This includes the levels of support from Aucklanders as contributors to the scheme costs.

*'A scheme will need be regarded as broadly fair, both by those who are directly affected by managed retreat and by those who contribute to the scheme's costs'<sup>4</sup>.*

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<sup>4</sup> Funding Managed Retreat: Designing a Public Compensation Scheme for Private Property Losses: Policy Issues and Options, Jonathan Boston, 2023.

### Options and risk

72. The table below presents three key risks of the recommended option package.

If...	Then...	So that...
the support scheme is not sufficiently generous	eligible property owners may not choose to take up a voluntary support/buy-out offer	property owners' household may reside at their property and remain exposed to an intolerable risk to life (where no regulatory mechanisms currently exist to restrict residence at the property)
secondary properties cannot access the support scheme	that residential property may be used as a primary residence of an owner or renter	those who use the property remain exposed to an intolerable risk to life (where no regulatory mechanisms currently exist to restrict residence at the property) <sup>5</sup>
the support scheme is too generous	the funding package agreed with central government may be insufficient to provide buy-out to all Category 3 properties impacting removal of intolerable risk to life	some eligible property owners do not receive support/buy-out or the offer process stalls while the council and government negotiate increased funding with the remaining exposure to the intolerable risk to life remaining (where no regulatory mechanisms currently exist to restrict residence at the property)

<sup>5</sup> A categorisation decision has no statutory basis and no automatic regulatory effect. There is therefore no specific enactment preventing landlords from renting out properties that have been categorised as posing an intolerable risk to life, in particular, it is not clear that it would be a breach of the Residential Tenancies Act 1986, section 45(1)(c). Generally, landlords are required to provide and maintain rental properties in a reasonable state of repair. Landlords must “comply with all requirements in respect of buildings, health, and safety under any enactment so far as they apply to the premises [...]” (section 45(1)(c) RTA). Examples of buildings, health, and safety enactments include: Building Act 2004 and Building Code.



## Options Assessment

### Generosity of Support: Valuation method

Option one:	Option two:	Option three:
Current CV	Market valuation pre-events	Market valuation post events
Value of property is determined based on the current capital value (issued in 2021).	Value of property is determined based on the value at a point prior to the events (exact date to be determined).	Value of property is determined based on the value at a point after the events (exact date to be determined).
<b>Implementation</b>		
<ul style="list-style-type: none"> <li>Uses current valuation which property owners have had a chance to object when issued in 2021.</li> <li>Gisborne proposing to use modified (August 2023) CV, Christchurch earthquakes used CV method, Alberta used municipal tax value.</li> </ul>	<ul style="list-style-type: none"> <li>Requires independent valuation (details of process to be agreed).</li> <li>Hawkes Bay is proposing this method, and 3 valuations is a common method used in the USA (buyers, sellers, independent, scheme makes an offer no negotiation - accept or decline).</li> </ul>	<ul style="list-style-type: none"> <li>Requires independent valuation (details of process to be agreed).</li> <li>*Variation - valuation post event not taking damage into account.</li> <li>Queensland does market valuation pre and post event and makes an offer based on the highest valuation, Grand Forks in Canada uses post-flood fair market value plus costs.</li> </ul>
<b>OPTIONS EVALUATION</b>		
<b>Pros and Cons</b>		
<ul style="list-style-type: none"> <li>Simple, quick, transparent, low resource to implement, does not consider loss of value due to events.</li> </ul>	<ul style="list-style-type: none"> <li>Perceived as fairer, more appropriate process, likely to increase voluntary uptake.</li> </ul>	<ul style="list-style-type: none"> <li>Reflects current market value, assists programme affordability.</li> <li>*Variation would enable value to be based on current market value- if they sold in the sales environment - which may assist affordability</li> </ul>
<ul style="list-style-type: none"> <li>Could be perceived as unfair value method by those impacted, perceived loss of equity and capital gain.</li> <li>Moderate risk of impacting voluntary uptake.</li> </ul>	<ul style="list-style-type: none"> <li>Requires time and resource for valuation process.</li> </ul>	<ul style="list-style-type: none"> <li>Perceived as least fair to those affected, least likely to assist voluntary uptake, and requires time and resource for valuation process.</li> </ul>
Effective- focuses on the impact an option will have on the speed and uptake of buy-out to remove the intolerable risk to life posed to households from their property		
<ul style="list-style-type: none"> <li>✓✓ Moderate risk of negatively impacting voluntary uptake and achieving the policy objective.</li> </ul>	<ul style="list-style-type: none"> <li>✓✓✓ More likely to increase voluntary uptake and maximise achievement of the policy objective. Perceived as fairer by those affected.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Least likely to assist voluntary uptake and achievement of the policy objective. Requires more time and resource than other options for valuation process. More likely to be contested.</li> <li>✓✓*Variation: Moderate risk of negatively impacting voluntary uptake and achieving the policy objective. May</li> </ul>

		be confusing for those affected, and be received in a similar way to CV valuation, but likely to be more acceptable to the public than other options
<b>Affordable - considers the impact of the option with the amount of funding available across the number of properties that need to be purchased to remove intolerable risk to life.</b>		
✓✓ Best estimation given data constraints is that this would keep within funding allocation and ensure everyone can access the scheme.	✓ More likely to add to funding uncertainty depending on how many properties need to access the scheme as likely to be higher valuations than other options. Would require more resource to implement.	✓✓✓ Assists affordability. Best estimation currently is that this would keep within funding allocation.  *✓✓Variation Best estimation given data constraints is that this would keep within funding allocation and ensure everyone can access the scheme.
<b>Fair &amp; Consistent - considers if the option meets our legal obligations to be fair and for the scheme to be consistent with the stated policy intent.</b>		
✓✓ Simple, quick and transparent. Owners have had a chance to object when issued in 2021. Consistent with scheme intent.	✓✓✓ Perceived as transparent and more appropriate process by those affected. Consistent with scheme intent.	✓✓ Reflects current market value and transparent process. Allows for independent valuation. Consistent with programme intent.  *✓✓Variation Reflects value of house at present if flooding had not occurred. Allows for independent valuation. Consistent with scheme intent.
<b>Equitable - considers the impact of the option on scheme equity for those most in need and those who fund the scheme.</b>		
✓✓ Could be perceived as unfair value method by those impacted, perceived loss of equity and capital gain.  21% of those who supported the package and commented, wanted CV valuation used  39% of those who submitted and thought they might be eligible for a buy-out wanted CV valuation used	✓✓ Could be perceived as fairer, more appropriate process and value of property pre-events. Likely to increase voluntary uptake. Less likely to be perceived as equitable by the wider public, as seen as more generous than required and could place more burden on tax and ratepayers.  39% of those who submitted and thought they might be eligible for a buy-out wanted market valuation or other method used	✓✓ Least likely to be perceived as fair by property owners as will affect purchase price.  *✓✓Variation Likely to be perceived as equitable by the public. May be perceived as less fair by some property owners, which may affect uptake
<b>RECOMMENDATION</b>		
Based on the analysis against the conditions above, <b>Option two: market valuation pre-events</b> is assessed to best meet the scheme objectives. Taking this approach would be most effective for getting voluntary uptake. It will be the preferred method with impacted property-owners.  All three options are likely to be contested by some owners, with option three likely to be the most contested. If affordability is critical then, option one or three may be preferred.		

### Generosity of Support: Maximum level of buy-out support

Option one:	Option two:	Option three:	Option four:
\$1.5million maximum payment cap	\$2.5million maximum payment cap	\$5million maximum payment cap	No maximum payment cap
The maximum buy-out payment from the programme a homeowner could receive would be capped at \$1.5million (after considering any insurance).	The maximum buy-out payment from the programme a homeowner could receive would be capped at \$2.5million (after considering any insurance).	The maximum buy-out payment from the programme a homeowner could receive would be capped at \$5million (after considering any insurance).	There would be no maximum buy-out payment amount from the programme a homeowner could receive.
<b>Implementation</b>			
<ul style="list-style-type: none"> <li>Condition placed within the offer section of the support/buy-out policy</li> <li>Quebec runs a capped scheme (@ 700K)</li> </ul>	<ul style="list-style-type: none"> <li>Condition placed within the offer section of the support/buy-out policy.</li> </ul>	<ul style="list-style-type: none"> <li>Condition placed within the offer section of the support/buy-out policy.</li> </ul>	<ul style="list-style-type: none"> <li>No maximum value included in the support/buy-out policy.</li> <li>Other recovery areas are likely to impose no cap</li> </ul>
<b>OPTIONS EVALUATION</b>			
<b>Pros and Cons</b>			
<ul style="list-style-type: none"> <li>Estimated that over half of property owners would not be negatively impacted.</li> <li>Limit financial exposure to high value properties.</li> </ul>	<ul style="list-style-type: none"> <li>Significantly reduces the number of affected property owners (compared to a \$1.5m cap), <b>Legal Professional Privilege</b></li> <li>Limits financial exposure to high value properties</li> </ul>	<ul style="list-style-type: none"> <li>Very few property owners affected, <b>Legal Professional Privilege</b></li> </ul>	<ul style="list-style-type: none"> <li>Highest positive impact on the highest number of affected property owners.</li> </ul>
<ul style="list-style-type: none"> <li>Moderate impact on voluntary uptake as not likely to be perceived as fair by those affected.</li> <li>Negatively impacts higher value properties and may impact their ability to afford relocation.</li> </ul>	<ul style="list-style-type: none"> <li>Increases risk of exceeding available funding (compared to a \$1.5m cap)</li> <li>Impacts higher value properties.</li> </ul>	<ul style="list-style-type: none"> <li>Increases risk of exceeding available funding (compared to a \$1.5m cap); larger portion of funding will be directed towards those with the most valuable properties.</li> </ul>	<ul style="list-style-type: none"> <li>Greatest risk of exceeding available funding; larger portion of funding wil. be directed towards those with the most valuable properties.</li> </ul>
Effective- focuses on the impact an option will have on the speed and uptake of buy-out to remove the intolerable risk to life posed to households from their property			
<ul style="list-style-type: none"> <li>✓✓ Majority of properties unaffected. Could reduce uptake and reduce achievement of policy objective on higher value properties.</li> </ul>	<ul style="list-style-type: none"> <li>✓✓ Majority of properties unaffected. Could reduce uptake and achievement of policy objective</li> </ul>	<ul style="list-style-type: none"> <li>✓✓✓ Majority of properties unaffected. Maximises uptake and achievement of the policy objective.</li> </ul>	<ul style="list-style-type: none"> <li>✓✓✓ All properties unaffected. Maximises uptake and achievement of policy objective.</li> </ul>

<p><b>Affordable</b> - considers the impact of the option with the amount of funding available across the number of properties that need to be purchased to remove intolerable risk to life.</p>			
<p>✓✓ Best estimation currently is that this would help keep costs within funding allocation.</p>	<p>✓ Could increase risk of exceeding funding allocation, depending on combination of other options selected. Would require more resource to implement.</p>	<p>✓ Likely to increase risk of exceeding funding allocation.</p>	<p>✓ Likely to increase risk of exceeding funding allocation.</p>
<p><b>Fair &amp; Consistent</b> - considers if the option meets our legal obligations to be fair and for the scheme to be consistent with the stated policy intent.</p>			
<p>✓✓ Transparent option. Consistent with the intent of the scheme.</p>	<p>✓✓ Transparent option. Consistent with the intent of the scheme.</p>	<p>✓✓ Transparent option. Consistent with the intent of the scheme.</p>	<p>✓✓✓ Transparent. Maximises uptake and <b>Legal Professional Privilege s 7(2)(g) LG</b> Consistent with the intent of the scheme.</p>
<p><b>Equitable</b> - considers the impact of the option on scheme equity for those most in need and those who fund the scheme.</p>			
<p>✓✓✓ Majority of properties unaffected. Would negatively impact higher value properties and may impact their ability to afford relocation.</p> <p>Some of those who supported the package, commented that the buy-out price should be capped at a percentage of the CV</p>	<p>✓✓ Majority of properties unaffected. Would negatively impact higher value properties and may impact their ability to afford relocation. Moderate public support for this option.</p>	<p>✓ Less likely to be perceived as equitable by the wider public, as seen as more generous than required as larger portion of funding will be directed towards those with the most valuable properties.</p>	<p>✓ Seen as equitable by those affected with higher value property. Less likely to be perceived as equitable by the wider public, as seen as more generous than required as larger portion of funding will be directed towards those with the most valuable properties.</p>



#### RECOMMENDATIONS

Based on the analysis against the conditions above, **Option one: \$1.5million maximum payment cap** is assessed as consistent with the policy intent. Taking this approach would give the most confidence of being able to deliver the scheme within available funding, and ensure access for all, while leaving a large proportion of owners unaffected. It also negates the risk of the support scheme being perceived as too generous by the wider public and not having their support and causing reputational and social licence risk. This option also helps to prevent the funding package agreed with central government being insufficient to provide agreed support/buy-out to all Category 3 properties. Particularly given the high level of uncertainty about number of properties. If the funding package is exceeded, then some eligible property owners will not receive support/buy-out or the offer process stalls while council and government negotiate increased funding.

It would reduce uptake among owners with more valuable properties and have a higher risk of challenge to the scheme. This would slow scheme delivery and may divert scarce council resource to responding to owner, community, political and legal challenge.

There is a very narrow margin between the preferred option and the option four having no maximum cap.

If expediting uptake is critical and using resource to deliver the scheme rather than respond to challenges, then no maximum payment would be the preferred option.



## Generosity of Support: Level of homeowner buy-out contribution

Option one:	Option two:	Option three:
No homeowner contribution	5% homeowner contribution	20% homeowner contribution
Homeowners would receive 100% of the programme buy-out payment amount (after considering any insurance and cap).	Homeowners would receive 95% of the programme buy-out payment amount (after considering any insurance and cap).	Homeowners would receive 80% of the programme buy-out payment amount (after considering any insurance and cap).
<b>Implementation</b>		
<ul style="list-style-type: none"> <li>Nothing required to implement this option.</li> </ul>	<ul style="list-style-type: none"> <li>This would be implemented through a formulaic adjustment to the buy-out offer. Government had originally looked at this limit.</li> </ul>	<ul style="list-style-type: none"> <li>This would be implemented through a formulaic adjustment to the buy-out offer.</li> </ul>
<b>OPTIONS EVALUATION</b>		
<b>Pros and Cons</b>		
<ul style="list-style-type: none"> <li>Positive impact on affected owner perception and highly likely to increase uptake.</li> <li>Minimises impact on property owners with lower and mid-value properties, even if used in conjunction with a cap.</li> </ul>	<ul style="list-style-type: none"> <li>Marginally more affordable than a 100% buy-out (Note: this option was used to estimate costs for negotiations with government)</li> <li>Contribution by homeowners made as recognition of property ownership risks.</li> </ul>	<ul style="list-style-type: none"> <li>Positive impact on cost of the scheme.</li> <li>Reinforces the risk of property ownership.</li> </ul>
<ul style="list-style-type: none"> <li>No impact on managing the cost of the scheme</li> <li>Does not reflect the risks of owning property - which insurance and the scheme absorb.</li> </ul>	<ul style="list-style-type: none"> <li>Likely to marginally reduce property owner uptake.</li> <li>Requires more time and resource to administer.</li> <li>Does not reinforce the risks of property ownership.</li> <li>Likely to impact affected owners who can least afford to make a contribution.</li> </ul>	<ul style="list-style-type: none"> <li>Likely to reduce uptake from property owners, particularly those with lower equity.</li> <li>Likely to have a large negative effect on property owners with lower and mid-value properties, particularly in conjunction with a cap.</li> </ul>
<b>Effective</b> - focuses on the impact an option will have on the speed and uptake of buy-out to remove the intolerable risk to life posed to households from their property		
<ul style="list-style-type: none"> <li>✓✓✓ Greatest uptake from property owners. No extra resource to implement.</li> </ul>	<ul style="list-style-type: none"> <li>✓✓ Marginally reduce uptake from property owners.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Likely to reduce uptake from property owners.</li> </ul>
<b>Affordable</b> - considers the impact of the option with the amount of funding available across the number of properties that need to be purchased to remove intolerable risk to life.		
<ul style="list-style-type: none"> <li>✓ Likely to increase the risk of exceeding funding allocation, depending on combination of policy options agreed.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Marginally help keep within funding allocation.</li> </ul>	<ul style="list-style-type: none"> <li>✓✓✓ Best estimation currently is that this would best keep costs within funding allocation</li> </ul>
<b>Fair &amp; Consistent</b> - considers if the option meets our legal obligations to be fair and for the scheme to be consistent with the stated policy intent.		
<ul style="list-style-type: none"> <li>✓✓ Transparent. Maximises uptake and <a href="#">Legal Professional Privilege s 7(2)(g) L</a></li> </ul>	<ul style="list-style-type: none"> <li>✓✓ Transparent. Maximises uptake and <a href="#">Legal Professional Privilege s 7</a></li> </ul>	<ul style="list-style-type: none"> <li>✓✓ Transparent. Consistent with the policy intent of the scheme.</li> </ul>

<p>Consistent with the intent of the scheme.</p>	<p>Consistent with the intent of the scheme.  Public likely to expect some property owner contribution.</p>	<p>Public likely to expect some property owner contribution.</p>
<p><b>Equitable</b> - considers the impact of the option on scheme equity for those most in need and those who fund the scheme.</p>		
<p>✓✓ Less likely to impact those who are most vulnerable and have the greatest need.  Less likely to be perceived as equitable by the wider public, as seen as more generous than required.</p>	<p>✓✓ Marginal impact on affected property owners.  Public likely to support property owner contribution.</p>	<p>✓ Likely to have a large negative impact on property owners with lower and mid-value properties, or equity, particularly in conjunction with a cap.  Public likely to support property owner contribution.</p>
<p><b>RECOMMENDATION</b></p>		
<p>Based on the analysis against the objectives above, <b>Option One: no homeowner contribution</b> is assessed to best meet the policy objective and outcome.</p> <p>Taking this approach would represent a generous offer and would maximise and expedite voluntary uptake and achievement of the policy intent. It does not require additional resource or time to administer. It is least likely to impact those who are most vulnerable and have the greatest need.</p> <p>If the support scheme is not sufficiently generous the property owner may not choose to take up a voluntary support/buy-out offer and continue to reside at their property and remain exposed to an intolerable risk to life (where no regulatory mechanisms currently exist to restrict residence at the property).</p> <p>It is the costliest of the three options, but affordability could be managed through the use of a maximum buy-out (cap) if required.</p>		

## Generosity of Support: Approach to Insurance status - uninsured and underinsured

Option one:	Option two:
Take insurance status (uninsured/underinsured) into account with a homeowner contribution up to 20%.	Do not take insurance (uninsured/underinsured) status into account
Decision that property owners' insurance status (i.e., uninsured or underinsured) would affect the buy-out payment they receive from the scheme	Property owners' insurance status would not affect the buy-out payment they receive from the scheme.
<b>Implementation</b>	
<ul style="list-style-type: none"> <li>Properties that are not insured could have payment limitations such as percentage buy out up to 20% (see options for 5% and 20% homeowner contribution and Appendix 1 for insurance level assumptions)</li> <li>Requires a clear method to reduce buy-out payment</li> <li>Specific provisions and conditions would be required in the purchase methodology including a process to understand individual insurance circumstances when making a final decision on an approach to insurance. Decisions on a % homeowner contribution of up to 20% are made understanding an individual's specific circumstances.</li> </ul>	<ul style="list-style-type: none"> <li>Nothing required to implement this option, but it is subject to any other policy</li> <li>This approach is likely to be used in other recovery areas</li> </ul>
<b>OPTIONS EVALUATION</b>	
<b>Pros and Cons</b>	
<ul style="list-style-type: none"> <li>Impact likely to be on those who can least afford it. (Note: because this is a one-off programme moral hazard has not been considered).</li> <li>Would require more administration resource, reduce uptake, have increased potential for disputes and be less equitable to those property owners.</li> </ul>	<ul style="list-style-type: none"> <li>Would increase uptake and limit potential for disputes and would be more equitable.</li> <li>Less affordable, perceived to be unfair to those who paid for insurance.</li> </ul>
<b>Effective - focuses on the impact an option will have on the speed and uptake of buy-out to remove the intolerable risk to life posed to households from their property</b>	
<ul style="list-style-type: none"> <li>✓✓ Could reduce uptake by those uninsured/underinsured. Would require more administration resource. Greater risk of disputes. We do not have the data to understand how many properties this would impact.</li> </ul>	<ul style="list-style-type: none"> <li>✓✓✓ Would increase uptake and maximise achieving policy intent. Less risk of disputes. Quick and simple to implement</li> </ul>
<b>Affordable - considers the impact of the option with the amount of funding available across the number of properties that need to be purchased to remove intolerable risk to life.</b>	
<ul style="list-style-type: none"> <li>✓✓✓ Best estimation currently is that this would best help keep costs within funding allocation. Those uninsured/underinsured likely to receive less buy-out payment based on terms to support this option.</li> </ul>	<ul style="list-style-type: none"> <li>✓✓ Could increase risk of exceeding funding allocation, depending on combination of policy provisions</li> </ul>
<b>Fair &amp; Consistent - considers if the option meets our legal obligations to be fair and for the scheme to be consistent with the stated policy intent.</b>	



<p>✓✓ Transparent. Likely to be seen as fairer by insured property owners and members of the public. More likely to impact those least able to afford insurance. Consistent with the intent of the scheme particularly affordability and equity, particularly those who fund the scheme. And for those affected owners who are insured as they have effectively made their contribution to the scheme already through insurance payments.</p>	<p>✓✓✓ Transparent. Likely to be seen as unfair by insured property owners and members of the public. Consistent with the intent of the scheme.</p>
<p><b>Equitable - considers the impact of the option on scheme equity for those most in need and those who fund the scheme.</b></p>	
<p>✓✓ Likely to have a negative impact on uninsured/underinsured property owners - likely to impact those who are most vulnerable and have the greatest need.</p> <p>Feedback received suggests the public likely to support this option and seen as fair and equitable towards those who paid for insurance.</p> <p>32% of those who supported the package and commented on insurance raised issues or concerns. Concerns include not letting insurance companies 'off the hook', setting a precedent, questioned need for property buy-out and topping up insurance.</p>	<p>✓✓ Balances the needs and interests of all Aucklanders with a particular focus on those least able to afford insurance. Does not discriminate on individual circumstance.</p> <p>30% of those who supported the package and thought they might be eligible for a buy-out and commented, suggested that consideration should be given to uninsured or underinsured homeowners based on their circumstances.</p>
<p style="text-align: center;"><b>RECOMMENDATION</b></p>	
<p>Based on the analysis against the objectives above, <b>Option two: ignore insurance status</b> is assessed to best meet the policy objective and outcome.</p> <p>Taking this approach would be simpler, increase uptake, and have less likelihood of owners disputing their offer. This option balances trade-offs and is most consistent with achieving the policy objective and outcome. This will not have a negative impact on uninsured/underinsured property owners – these people are most likely to be vulnerable and have the greatest need.</p> <p><b>A decision to take insurance status into account for buy-out offer</b> is likely to negatively impact 'real choice' by underinsured homeowners who have few other options other than to accept an offer from the scheme (more so than those in similar situation who have insurance). Although there is feedback to support the view that some members of the public consider offering a greater payment to the uninsured than to the insured is unfair, this view does not take into account whether there was in fact an insured loss or the reasons why an individual may not have had insurance, individual circumstances. This can be mitigated by the decisions about a proposed homeowner contribution of up to 20% being assessed taking into account individual circumstances. The impacts of this have been assessed generally. This option recognises fairness and equity for those affected owners who are insured as they have effectively made their contribution to the scheme, already through insurance payments.</p> <p>The purchase methodology would need to have specific provisions and conditions including a process to understand individual insurance circumstances when making a final decision on approach to insurance. This would ensure that decisions on contribution of up to 20% are not unfairly impacting individuals and are made understanding an individual's specific circumstances. Not taking account of insurance status is assessed to also be fair and consistent to those who can access the scheme and are insured, as well as those who are underinsured as it does not discriminate on individual circumstances. All properties owners will receive a support/buy-out offer, those with no insurance or are underinsured will receive a higher payment from the scheme. The public, some elected members and local boards think there should be some distinction within the scheme based on underinsurance for reasons of fairness and accountability, and recognition of the risks of home ownership.</p> <p>Note: We have no specific data yet about the house insurance status of people who can access the scheme, or the reasons for no house insurance or underinsurance.</p>	

## Access to Scheme: Secondary properties (holiday homes)

**Dwelling in use/rented part of the time:** Residential properties that have dwellings that serve as holiday homes and baches which may be occupied by their owners or renters short-term, and are not the principal place where either property owners or renters reside.

Option one:	Option two:	Option three:
Secondary properties (holiday homes) excluded	Secondary properties(holiday homes) included	Secondary properties (holiday homes) included with limitations
Properties which are not the primary home of the owner are excluded.	Properties which are not the primary home of the owner are included	Properties which are not the primary home of the owner are included but with limitations such as lower maximum or percentage buy out to primary home (see options for maximum cap and % homeowner contribution)
<b>Implementation</b>		
Requires a clear definition of primary home which could be difficult Excluded in definition in the support/buy-out policy Alberta- Canada excludes	<ul style="list-style-type: none"> <li>Included in definition in the support/buy-out policy</li> <li>Proposed Hawkes Bay &amp; Gisborne</li> </ul>	<ul style="list-style-type: none"> <li>Included in definition with conditions placed within the offer section of the support/buy-out policy</li> </ul>
<b>OPTIONS EVALUATION</b>		
<b>Pros and Cons</b>		
<ul style="list-style-type: none"> <li>Aligns with risk categorisation, and objective of support, no impact on uptake, assists programme affordability, generally accepted by wider public.</li> </ul>	<ul style="list-style-type: none"> <li>Not controversial for impacted owners, would provide certainty towards policy objective.</li> </ul>	<ul style="list-style-type: none"> <li>Mid option, more affordable than inclusion without limitations, less controversial for ratepayers than inclusion and less controversial that total exclusion with property owners.</li> </ul>
<ul style="list-style-type: none"> <li>Perceived as unfair, controversial, as impacted owners likely to perceive programme as hardship, liability or compensation based. Potentially some risk to life may still be present if continued occupation of property by renters, lessees or use by property owner.</li> </ul>	<ul style="list-style-type: none"> <li>Adds to cost of programme.</li> <li>May not be accepted by rate payers.</li> </ul>	<ul style="list-style-type: none"> <li>Complicated to administer, more resource to deliver programme.</li> </ul>
Effective- focuses on the impact an option will have on the speed and uptake of buy-out to remove the intolerable risk to life posed to households from their property		
<ul style="list-style-type: none"> <li>✓✓ Aligns with objectives of support, no impact on uptake. Potentially some risk to life still present - there is a risk of continued occupation of property by renters, lessees or use by property owner.</li> </ul>	<ul style="list-style-type: none"> <li>✓✓ Would support uptake and policy objectives.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Would complicate administration and more resource to deliver programme. Would not expedite voluntary uptake.</li> </ul>



<p><b>Affordable</b> - considers the impact of the option with the amount of funding available across the number of properties that need to be purchased to remove intolerable risk to life.</p>		
<p>✓✓✓ Best estimation currently is that this would best help keep costs within funding allocation</p>	<p>✓ Likely to increase risk of exceeding funding allocation.</p>	<p>✓✓ Could increase risk of exceeding funding allocation, depending on combination of policy provisions. More affordable than inclusion without limitations.</p>
<p><b>Fair &amp; Consistent</b> - considers if the option meets our legal obligations to be fair and for the scheme to be consistent with the stated policy intent.</p>		
<p>✓✓✓ Transparent option. Consistent with the intent of the scheme. Seen as unfair by those impacted.</p>	<p>✓✓ Transparent option. Seen as fair by those impacted. Somewhat consistent with the intent of the scheme if property was used for short-term rental purposes.</p>	<p>✓✓ Somewhat consistent with the intent of the scheme if property was used for short-term rental purposes.</p>
<p><b>Equitable</b> - considers the impact of the option on scheme equity for those most in need and those who fund the scheme.</p>		
<p>✓✓✓ Aligns with risk categorisation, and objective of policy, no impact on uptake as excluded in definition. Likely to impact few property owners. Generally accepted by wider public as property owner has a primary dwelling to live in.</p>	<p>✓✓ Would provide certainty towards policy objective. Less likely to be perceived as equitable by the wider public, as seen as more generous than required, as the owner has a primary dwelling to live in.</p>	<p>✓✓ Balances the needs and interests of all Aucklanders.</p>
<p><b>RECOMMENDATION</b></p>		
<p>Based on the analysis against the objectives above, <b>Option One: secondary properties excluded</b> is assessed to best meet the policy objective and outcome.</p> <p>Taking the policy objective into account properties with a secondary dwelling do not represent a risk to life as the owner has a primary dwelling to live in.</p> <p>We assume that there are very few secondary properties so would have minimal positive impact on the policy objective and outcome. And contribute to controlling overall cost to the scheme.</p> <p>Excluding secondary properties will also provide confidence of being able to deliver within available funding.</p> <p>Maybe seen to discriminate and be unfair on individual circumstances.</p> <p>Note: We have no specific data yet about the number of secondary properties who could access the scheme.</p> <p>Note: May impact property owners in Piha and Muriwai the most.</p>		

### Access to scheme: Special circumstances

Option one:	Option two:
Include a process for special circumstances	No process for special circumstances
Provides for specific <b>stated</b> circumstances and general circumstances for exceptional and unusual cases to be considered which fall outside of the policy positions.	Maintain set policy positions with no ability to consider specific or special circumstances, or to include process for specific exclusions to be considered.
<b>Implementation</b>	
<ul style="list-style-type: none"> <li>Specific sections(s) in the support/buy-out policy could be used for mixed use, no dwelling house etc</li> </ul>	<ul style="list-style-type: none"> <li>Specific statement that no deviation from the policy parameters will be considered.</li> </ul>
<b>OPTIONS EVALUATION</b>	
<b>Pros and Cons</b>	
<ul style="list-style-type: none"> <li>Would increase uptake, be significantly more equitable and lead to less disputes. Provides mechanism to deal with specific matters without requiring more administration for entire programme participants.</li> </ul>	<ul style="list-style-type: none"> <li>Would require less administration and reduce risk of exceeding available funding <small>Legal Professional Privilege s 7(2)(g) LGOIMF</small> ).</li> </ul>
<ul style="list-style-type: none"> <li>Could increase the number/size of buy-outs and add administrative costs.</li> </ul>	<ul style="list-style-type: none"> <li>Would reduce uptake, be significantly less equitable and more likely to give rise to disputes.</li> </ul>
Effective- focuses on the impact an option will have on the speed and uptake of buy-out to remove the intolerable risk to life posed to households from their property	
✓✓✓ Would increase up-take.	✓✓ Would reduce uptake and increase likelihood of disputes.
Affordable - considers the impact of the option with the amount of funding available across the number of properties that need to be purchased to remove intolerable risk to life.	
✓✓ Likely to increase the risk that the number/size of buy-outs and add administrative costs.	✓✓ Would require less administration and reduce the risk of exceeding available funding (both potentially offset by administrative costs of disputes)
Fair & Consistent - considers if the option meets our legal obligations to be fair and for the scheme to be consistent with the stated policy intent.	
✓✓✓ Transparent and fair. Provides mechanism to deal with specific matters. Consistent with scheme intent.	✓ Fails to consider differing circumstances. Not consistent with scheme intent.
Equitable - considers the impact of the option on scheme equity for those most in need and those who fund the scheme.	
✓✓✓ Balances the needs and interests of all Aucklanders.	✓ Less likely to be perceived as equitable by all. Fails to consider differing circumstances. Could negatively impact individuals and communities with greatest need.
<b>RECOMMENDATION</b>	
Based on the analysis against the objectives above, <b>Option one: include a process to consider special circumstances</b> is assessed to best meet the policy objective and outcome. Taking this approach would be significantly fairer and make the programme less likely to give rise to disputes. The property purchase methodology may still differentiate without understanding individual circumstances (depending on the decisions about options) Special circumstances will provide an ability for those administering the scheme to exercise discretion in exceptional and unusual cases.	

## Appendix 1: Affordability assessment modelling

### Assumptions

Assumption data and source	Risks and impacts
<b>Number of properties</b>	
<p>Identifying, and assessing flood impacted properties across Auckland will involve both desktop and field work and take a number of months.</p> <p>The best current estimate is that 700 properties will be categorised as Category 3.</p> <p>This estimate includes both primary and secondary residential properties.</p>	<p><b>Risk</b> - That the number of category 3 properties differs from the estimate.</p> <p><b>Level of uncertainty</b> - High</p> <p><b>Impacts</b> - If the number of category 3 properties is greater than 700 the cost of the scheme will be higher. If the number of category 3 properties is lower the cost of the scheme will be lower.</p> <p>The magnitude of the financial impact of the variability will depend on settings within the buyout scheme but each additional property would add around \$1 million to the cost of the scheme.</p> <p>Sensitivity to this assumption is included in the assessment below.</p>
<b>Value of properties</b>	
<p>Category 3 properties have not yet been identified, and no valuations have yet been conducted.</p> <p>For modelling purposes staff have used a dataset of 375 properties that had self-identified as category 3 and scaled this up to the assumed number of properties, based on the current rateable value. The average capital value of these properties is \$1.3 million.</p>	<p><b>Risk</b> - That the average value, and/or spread of values of the category 3 properties varies significantly from those of the self-identified dataset.</p> <p><b>Level of uncertainty</b> - High</p> <p><b>Impacts</b> - If the average value is higher the cost of the scheme will be higher and if the average value is lower the cost will be lower.</p> <p>The impact of differences in the spread (i.e., more high-value and/or more low-value properties) will depend on choices made around potential caps to the buyout offer levels.</p>
<b>Level of insurance payout</b>	
<p>Offers made as part of the buyout scheme will be based on a value net of any payouts from insurance or the Earthquake Commission (EQC). Until properties are identified and engagement with home-owners begins the level of any insurance payouts is highly uncertain.</p> <p>For modelling purposes, it has been assumed that the average payout level is 20% of the value of the property.</p>	<p><b>Risk</b> - That the average insurance and EQC payout varies significantly from those estimated.</p> <p><b>Level of uncertainty</b> - High</p> <p><b>Impacts</b> - If the average payout is higher than the 20% assumption the cost to the scheme will be lower (all other factors being equal) and if the average payout is lower than 20% the cost to the scheme will be higher.</p> <p>Sensitivity to this assumption is included in the assessment below.</p>
<b>Uninsured properties</b>	
<p>Category 3 properties have not yet been identified, and therefore the number that are uninsured cannot be ascertained.</p> <p>According to the Insurance Council of New Zealand 97 per cent of homeowners insure their homes. For modelling purposes staff have applied an assumption of this percentage</p>	<p><b>Risk</b> - That the number of uninsured properties payout varies significantly from the estimate.</p> <p><b>Level of uncertainty</b> - High</p> <p><b>Impacts</b> - If a policy is adopted that does not differentiate on the basis of insurance status then a higher percentage of uninsured properties will likely result in a higher total scheme cost, and a lower percentage in a lower cost.</p>

Transaction costs	
<p>The agreement with the Crown includes funding towards the transaction costs of the buyout scheme. It is expected that the largest components of these will be valuation and legal costs.</p> <p>For modelling purposes, it has been assumed that transaction costs will average \$15,000 per property.</p>	<p><b>Risk</b> - That the transaction costs vary significantly from those estimated.</p> <p><b>Level of uncertainty</b> - High</p> <p><b>Impacts</b> - Higher transaction costs will increase the cost of the scheme and lower transaction costs will lower the cost of the scheme.</p>
Property use	
<p>Category 3 properties have not yet been identified, and therefore the number that are the owner's primary residence cannot be ascertained.</p> <p>Baches and holiday homes are unlikely to comprise a significant number of Category 3 properties and identifying them accurately will take much work.</p> <p>For modelling purposes staff have maintained a conservative assumption of no secondary properties.</p>	<p><b>Risk</b> - That a significant number of secondary properties are identified.</p> <p><b>Level of uncertainty</b> - High</p> <p><b>Impacts</b> - Variance in the number of secondary properties would only impact the cost of the scheme if they were excluded from the scheme.</p> <p>The magnitude of the financial impact of the variability will depend on settings within the buyout scheme but each property excluded would reduce the cost of the scheme by around \$1 million.</p>

**Uncertainty**

The level of uncertainty for each assumption refers to the difficulty of predicting outcomes because of limited or inexact knowledge.

- Low level of uncertainty – information available to council points to a high likelihood of the assumption being accurate and/ or most of the variables are under council's control.
- Moderate level of uncertainty – council has most of the information available on the assumption but variables outside of council's control may still affect the accuracy of the assumption.
- High level of uncertainty – council has some of the information on the assumption but there is a high likelihood that variables outside of council's control will impact on the accuracy of the assumption.



**Scenario and sensitivity modelling**

Option	Staff recommendation	Storm Recovery Political Advisory Group recommendation
Valuation	Market valuation pre-events	Market valuation pre-events
Maximum buy-out payment cap	\$1.5 million maximum	No cap
Homeowner contribution	No homeowner contribution	Homeowner contribution from 5% (sliding scale with 5% for first \$1.5m, 10% for next \$1.5m, and 15% for anything above \$3m)
Insurance status	Do not take insurance status into account	Up to 20% contribution from uninsured properties, with provision for special circumstances
Secondary properties	Exclude secondary properties	Include secondary properties
Special circumstances	Include a process for special circumstances	Include a process for special circumstances
<b>Modelled total scheme cost</b>	<b>\$689 million</b>	<b>\$689 million</b>

The tables below assess the sensitivity of the two above scenarios to variability in two key assumptions, the number of category 3 properties and the average level of insurance payout.

Staff recommendation

		Insurance payout sensitivity		
		30% of CV	Base (20% of CV)	10% of CV
Number of properties sensitivity	-10% (630 properties)	\$559m	\$620m	\$678m
	Base (700 properties)	\$622m	\$689m	\$753m
	+10% (770 properties)	\$684m	\$758m	\$828m

Storm Recovery Political Advisory Group recommendation

		Insurance payout sensitivity		
		30% of CV	Base (20% of CV)	10% of CV
Number of properties sensitivity	-10% (630 properties)	\$538m	\$620m	\$702m
	Base (700 properties)	\$597m	\$689m	\$780m
	+10% (770 properties)	\$657m	\$757m	\$858m

Notes:

- Figures in **green** are below 90% of the initial maximum under the funding agreement
- Figures in **orange** are between 90% and 100% of the initial maximum
- Figures in **red** exceed the initial maximum



**Appendix 2: Assumptions about how some options work together**

Property valuation (reference value)

*Minus*

Insurance and EQC payout (if any)

*Equals*

*[initial buy-out payment amount]*

Initial buy-out payment amount *or* maximum payment cap (if any) [whichever is lowest]

*Minus*

Homeowner contribution (if any, e.g. % of value of reference value)

*Equals*

Buy-out payment offer





## Nominated Categorisation Approach

Auckland Council has agreed with the Government to implement the government's categorisation framework (the **Framework**) for Auckland homes severely affected by the events over the Auckland Anniversary Weekend and Cyclone Gabrielle 2023 (**severe weather events**).

This document describes Auckland Council's nominated categorisation approach (**Categorisation Approach**) for application of the Framework.

### 1. Scope

1. Auckland Council's Categorisation Approach is part of a one-off, limited response to the exceptional circumstances of the severe weather events in 2023, and is not a permanent programme for future disaster relief.
2. The Categorisation Approach will be applied to residential properties that have a dwelling on them, and were affected by the severe weather events (**Properties in Scope**).
3. Auckland Council will make a Categorisation Decision about Properties in Scope on the basis of the Categorisation Approach set out below.

### Overview of Categorisation Approach

4. In applying the Categorisation Approach to Properties in Scope, the council will:
  - (a) Assess whether there is "intolerable risk to life"<sup>1</sup> from flooding and/or landslides (**risk assessment**) for occupants of residential buildings on the property (not the land).
  - (b) Assess whether there is a feasible mitigation available to reduce the risk to life associated with the property to a tolerable level (**feasibility assessment**).
  - (c) Taking into account the risk assessment and feasibility assessment, assign a "Category" to the property (the **Categorisation Decision**).
5. A Categorisation Decision will enable the identification of:
  - (a) Category 3 properties eligible for a buy-out under the [Scheme].
  - (b) Category 2 properties, for which there is a feasible mitigation at either a community or property level.
  - (c) Category 1 properties, for which the risk is considered to be tolerable.
6. Council's application of the Framework through the Categorisation Approach (and the resulting Categorisation Decision) is a feature of the jointly funded, one-off, limited response to the exceptional circumstances of the severe weather events in 2023. Accordingly, a Categorisation Decision:

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<sup>1</sup> For flooding, there is "intolerable risk to life" where there is a high risk to life to vulnerable people in an existing 1% AEP flood event. For landslides, there is "intolerable risk to life" where the Annual Individual Fatality Risk is 1 in 10,000 or greater for the most vulnerable user.

- (a) Is understood by the council as an “administrative tool” and a prerequisite to allow the council to respond to the severe weather events.
- (b) Is not considered by Auckland Council to be an enduring state attaching to a property. A Categorisation Decision reflects the risk assessment and feasibility assessment at a particular point in time.
- (c) Does not have a legislative or regulatory basis.

**Government Framework**

- 7. The government released initial risk categories for assessing the future of flood and landslide affected residential properties on 1 May 2023. The three categories announced by the government were:
  - (a) Low Risk – Repair to previous state is all that is required to manage future severe weather event risk. This means that once any flood protection near the property is repaired, the home can be rebuilt at the same site.
  - (b) Managed Risk – Community or property-level interventions will manage future severe weather event risk. This could include the raising of nearby stop banks, improving drainage or raising the property.
  - (c) High Risk – Areas in the high-risk category are not safe to live in because of the unacceptable risk of future flooding and loss of life. Homes in these areas should not be rebuilt on their current sites.
- 8. The descriptions of the government’s initial categories (which inform the Framework) are as follows:

Category	Definitions	Examples
1	Repair to previous state is all that is required to manage future severe weather event risk.	Minor flood damage to repair but no need for significant redesign/retrofitting.
2C	Community level interventions are effective in managing future severe weather event risk.	Local government repairs and enhances flood protection schemes to adequately manage the risk of future flooding events in the face of climate change effects.
2P	Property level interventions are needed to manage future severe weather event risk, including in tandem with community level interventions.	Property specific measures are necessary e.g., improved drainage, raising houses is necessary. Benefits accrue to property owners but some may face affordability issues.
2A	Potential to fall within 2C/2P but significant further assessment required.	Interventions may be required / possible but insufficient information to provide initial categorisation (these may subsequently move between "2" categories or to categories 1 / 3).



3	Future severe weather event risk cannot be sufficiently mitigated. In some cases some current land uses may remain acceptable, while for others there is an intolerable risk of injury or death.	In the face of enhanced climate risks the property may face unacceptable risk of future flooding. Other property could be subject to unstable land that poses an ongoing risk.
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9. The government’s Framework is clear that the Voluntary Buy-out Support Scheme for Category 3 properties will be a **voluntary process** and is limited to **residential properties only**. These parameters inform the scope of Auckland Council’s Categorisation Approach.

### Context for development of the Categorisation Approach

10. The nature of the damage sustained in Auckland in the severe weather events has informed the development of the Categorisation Approach:
- (a) **Flood damage sustained in severe weather events:** Auckland’s topography is a primary driver of flooding characteristics. Auckland’s catchments are generally small, steep and drain to the coast. The region has ~94,000 km of overland flow paths (the routes taken by stormwater when flowing over land, including over 16,000km of permanent streams. This means we have more flooding from heavy rain events (pluvial flooding), often with little warning (flash flooding). There are no major rivers in the region meaning there is less flooding from rivers breaching their banks (fluvial flooding) than other regions in NZ.
  - (b) **Land instability resulting from the severe weather events:** In Auckland, land instability is often prevalent in the weak soils and rock that are common across the region. Landslides can be triggered by heavy rainfall, earthquakes and human activity such as removal of trees and vegetation, steep cuttings, poorly placed fill, leaking water pipes or a combination of these.
11. In Auckland, advice from technical experts is that individual property assessments are required to support Categorisation Decisions. For landslides, this aligns with the recommendations of the GNS Science guideline “Landslide Planning Guidance – Reducing Landslide Risk through Land-Use Planning” (in consultation). For flooding this aligns with the standard flood assessment method for on-site assessments of public and private buildings (Auckland Council - Flood Modelling Specifications 2013).
12. The Categorisation Approach will be applied to residential properties and has been designed to assess risk at the property level rather than on an area-wide basis.

### Process: Application of the Categorisation Approach

13. The Categorisation Approach will be applied as follows:
- a. Auckland homeowners with Properties in Scope are invited to ‘opt in’ by providing information that the council can consider in undertaking an initial desktop assessment.
  - b. To date, Properties in Scope have been identified where a homeowner:

- i. Owns a property in an area that council is aware was highly impacted or suffered significant damage; and/or
    - ii. Has received a letter from Auckland Council (sent to all placarded properties) or become aware of the categorisation process through the media; and/or
    - iii. Has provided information to council to inform a desktop assessment.
  - c. Work remains ongoing to identify additional Properties in Scope.<sup>2</sup>
  - d. A **desktop triage** is undertaken to determine whether a property has the potential to have “intolerable risk to life”. This desktop assessment is based on expert judgement using the information provided by the homeowner, along with other relevant information including available datasets, flood model results, hazard maps, and records from the severe weather events.
  - e. For any Property in Scope where the desktop assessment indicates the potential for “intolerable risk to life” (and for any flooded properties that property owners have indicated they consider may be “a Category 2 or 3”), the council (or experts engaged by the council) will undertake a **site assessment**.
  - f. The results of the site assessment are presented in a report alongside potential mitigation options, with costings at a concept design level, to inform an assessment of feasibility.
  - g. The results of the site assessment (and the desktop assessment) will provide the council with sufficient information to inform the Categorisation Decision (i.e. whether there is an “intolerable risk to life” associated with the property, and whether the long-term risk can be mitigated to a tolerable or acceptable level).

#### **Categorisation Approach: Geotechnical Risk Assessment**

14. For landslides, the risk assessment framework anticipates that a building will be “Category 3” where the Annual Individual Fatality Risk is 1 in 10,000 or greater for the most vulnerable user and there is no feasible mitigation (at a property or community level) to reduce the risk to a tolerable or acceptable level.
15. The Annual Individual Fatality Risk is calculated as follows:

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<sup>2</sup> For example, the Group Recovery Manager issued a statutory notice under the Civil Defence Emergency Management Act 2002 to insurance companies and Toka Tū Ake EQC, requiring them to provide property addresses for significant claims received in relation to the severe weather events. The notice stated that this information was required to assist council in identifying properties under the categorisation framework.

$$R_{(L\&L)} = P_{(H)} \times P_{(S:H)} \times P_{(T:S)} \times V_{(D:T)} \quad (2)$$

Where

- $R_{(L\&L)}$  is the risk (annual probability of loss of life (death) of an individual).  
 $P_{(H)}$  is the annual probability of the landslide.  
 $P_{(S:H)}$  is the probability of spatial impact of the landslide impacting a building (location) taking into account the travel distance and travel direction given the event.  
 $P_{(T:S)}$  is the temporal spatial probability (e.g. of the building or location being occupied by the individual) given the spatial impact and allowing for the possibility of evacuation given there is warning of the landslide occurrence.  
 $V_{(D:T)}$  is the vulnerability of the individual (probability of loss of life of the individual given the impact).

16. Given the extensive area-wide damage and large-scale slope instability in Muriwai, Piha and Karekare, in April 2023 Auckland Council commissioned GHD to undertake a geotechnical assessment for these communities. GHD's report presents the annual individual fatality risk using the same calculation used for the rest of Auckland. GHD have now also been engaged to provide an expert opinion on whether the long-term risk in the areas covered by the GHD report can be reduced to a tolerable level and a cost estimate for concept designs to achieve this to inform an assessment of feasibility.
17. GHD's reports will provide the council with sufficient information (in addition to the information already held), to inform a Categorisation Decision about properties within the report areas. The information provided by GHD will align with the information used for decision making across the rest of Auckland.
18. For properties where there may potentially be "intolerable risk to life" according to a desktop triage in areas not covered by the GHD report, Auckland Council has contracted geotechnical engineers to undertake risk assessments. Auckland Council has created a template scope of works to guide the quantitative assessment by geotechnical experts of risk to life from landslides. If property owners prefer to organise their own geotechnical report they can do so, with advice available on the council's website (including a downloadable copy of the template for completion by the privately engaged geotechnical engineer, and guidelines on the use of AGS2007 for landslide risk assessment in Auckland).
19. A geotechnical risk assessment undertaken in accordance with council's template will provide the council with evidence of (amongst other things):
  - (a) **Damage assessment:** An assessment of land damage sustained from the Auckland weather events (which will also include any work carried out to repair the land damage, consideration of pre-existing conditions or damage, apportionment of damage if multiple events, and assessment of any sources of off-site risk).
  - (b) **Quantitative assessment of the stability of the land** which may affect safe use of the property.
  - (c) **Quantitative assessment of risk of loss of life** for users of the property. An "intolerable risk to life" (in accordance with the AGS2007 guidelines), is an Annual Individual Fatality Risk of 1 in 10,000 or greater for the most vulnerable user.
  - (d) **Expert opinion on whether the long-term risk to life can be reduced to a tolerable level** (and advice on the Categorisation Approach required to achieve this, and scope of works to be completed as part of the construction programme, including a cost estimate).



- (e) An assessment of the unmitigated and mitigated risk of loss of life.
- 20. A geotechnical risk assessment undertaken in accordance with Auckland Council's template provides the council with sufficient information (in addition to the information already held) to inform a Categorisation Decision.

#### **Categorisation Approach: Flooding Risk Assessment**

- 21. Auckland Council's risk assessment framework for flooding assesses "intolerable risk to life" associated with residential properties, based on a Danger Rating assigned through the application of "Flood Danger Risk Assessment".
- 22. Flood Danger represents the relative threat posed by flooding to building occupants taking into account the flood hazard inside and outside the building, the availability of safe refuge and/or evacuation routes.
- 23. For flooding, the risk assessment framework anticipates that a building will be "Category 3" where there is a high risk to life to vulnerable people in an existing 1% AEP flood event, and there is no feasible mitigation (at a property or community level) to reduce the risk to a tolerable or acceptable level.
- 24. Risk assessment for flooding will include:
  - (a) **Damage assessment:** an assessment of flood damage sustained from the Auckland weather events
  - (b) **Assessment of Flood Danger** as a combination of:
    - i. **Event likelihood** (in terms of the probability of an event of a given magnitude being equalled or exceeded within a year – the Annual Exceedance Probability, or AEP),
    - ii. **Hazard** (the level of risk to life by flooding),
    - iii. **Exposure** (what is exposed to flood hazard in a given place) and
    - iv. **Vulnerability** (propensity to suffer adverse effects of flooding, based on individual characteristics and external factors).
- 25. Auckland Council will assess whether there is "intolerable risk to life" by assigning a Flood Danger Rating to a property in accordance with council's Flood Danger Rating Schema. The Flood Danger Rating represents the threat to life to people inside or outside dwellings on residential property that are exposed to flood hazard.
- 26. In addition to Flood Danger, the risk assessment framework takes into account the likelihood of an event occurring. Event Likelihood is described by the annual exceedance probability (AEP) of the flood event, which is the probability of the event being equalled or exceeded within a year. As rainfall is the primary driver of flooding in the Auckland region, flood event likelihood can be considered synonymous with rainfall event likelihood.
- 27. A site assessment will provide the council with sufficient information (in addition to the information already held) to inform a Categorisation Decision.

### Categorisation Approach: Feasibility Assessment

28. The site assessments undertaken by Auckland Council (or experts engaged by the council) will consider whether there is a property or community level solution available to mitigate the risk to life associated with a property, and the approximate cost of that solution.
29. Whether a mitigation is feasible will be determined by Council taking into account:
  - (a) The cost of the mitigation with reference to the value of the property (this will be determined as a percentage of the CV)
  - (b) Timeliness
  - (c) Quality Assurance and Peer Review.
30. For the landslide risk assessments Auckland Council has engaged a panel of five experts (the **Geotechnical Advisory Panel**) to review the approaches taken, project scopes and key deliverables. These individuals were chosen to represent the range of skills and experience needed to achieve the required outcomes. The Geotechnical Advisory Panel comprises two Engineering Geologists, a Hydrologist and two Geotechnical Engineers from five independent organisations.
31. In addition to the Geotechnical Advisory Panel, Auckland Council has a dual approach to quality assurance for the landslide risk assessments being undertaken across Auckland. Auckland Council is in the process of engaging two well respected local experts to act as mentors to the suppliers undertaking the field assessment work to help ensure they are providing consistent, well informed reports. Once delivered, each report is then subjected to a robust peer-review process. Council has engaged WSP Australia to undertake the technical peer-review, while our in-house Regulatory Services team will check proposed mitigations for potential consenting requirements.
32. For the Flood risk assessments Auckland Council is in the process of engaging a panel of four experts to review and assure the approach taken. These individuals were chosen to represent a range of skills and experience needed to achieve the required outcomes. The group contains expertise from across New Zealand, including the engineering sector, local government, and a Crown Research Institute.
33. In addition to the council's internal processes, the government has engaged Tonkin & Taylor Ltd to provide a high-level assurance review of the process followed by Auckland Council in establishing the Categorisation Approach (in accordance with the Framework).

### Dispute resolution

34. Auckland Council is establishing a **dispute resolution process** for Categorisation Decisions.
35. The dispute resolution process will relate to a Categorisation Decision made in respect of a Property in Scope, and is not an opportunity to contest the Framework or the Categorisation Approach itself.

### Special circumstances



36. At the request of a property owner the council, at its discretion, will consider whether to depart from a position set out in this Categorisation Approach. Any decision to apply a different process or outcome will have regard to:
- (a) The council's overarching policy objective to support Aucklanders to voluntarily relocate from residential housing situations on properties that pose an intolerable risk to their lives.
  - (b) The Council's further objectives guiding its policy approach. This will involve consideration of whether a departure from the Categorisation Approach is Effective; Affordable; Fair and Consistent with policy intent; and Equitable.
37. Any decision to depart from the Categorisation Approach will be made by the council or its delegate and recorded in writing.

END

DRAFT

## Voluntary Buy-out Support Scheme Terms

Auckland Council has agreed with the Government to implement a voluntary buy-out scheme (**Voluntary Buy-out Support Scheme**) for Auckland homes severely affected by the extreme weather events over Auckland Anniversary Weekend, and Cyclone Gabrielle 2023 (**severe weather events**).

These terms describe the properties eligible for buy-out, the price, and the buy-out process.

### 1. Introduction

The severe weather events have had a devastating and lasting impact on many communities, families and individuals across Tāmaki Makaurau / Auckland. Flooding and landslides have damaged or destroyed thousands of homes and changed people's lives.

In response to the scale of damage across Auckland and other parts of the North Island, the government announced a locally-led, centrally-supported recovery package, with co-funding to be agreed between the government and affected councils.

Part of the package addresses the removal of risk to severely affected residential properties through voluntary buy-out. Under the agreement with Government, Auckland Council is responsible for setting the technical assessment criteria and buy-out rules.

### 2. Policy objectives

Auckland Council's overarching policy objective is to support Aucklanders to voluntarily relocate from residential housing situations on properties that pose an intolerable risk to their lives.

In deciding the terms of the Voluntary Buy-out Support Scheme, Auckland Council has balanced the following considerations:

- **Effective** – the speed and uptake of buy-out to remove the intolerable risk to life posed to households from their property.
- **Affordable** – the amount of funding available across the number of properties that need to be purchased to remove intolerable risk to life. Affordability assumptions and scenarios have been used to help make an assessment against this criterion as a high level of uncertainty exists.
- **Fair and consistent with policy intent** – our legal obligations to be fair and for the scheme to be consistent with the stated policy intent.
- **Equitable** – scheme equity for those most in need and those who fund the scheme.

### 3. Voluntary Buy-out Support Scheme

- (a) The Voluntary Buy-out Support Scheme has been approved by Auckland Council's Governing Body after public consultation, and as part of a co-funding agreement with Government.
- (b) The Voluntary Buy-out Support Scheme is a one-off, limited response to the exceptional circumstances of the severe weather events, and is not a permanent programme for future disaster relief.

#### 4. Scope

The Voluntary Buy-out Support Scheme applies to “Category 3” residential properties [in the Auckland Council territory] that have a dwelling on them and were affected by the severe weather events. Auckland Council will offer to buy those properties on the basis described below.

#### 5. Types of property

Only residential [zoned] properties will be eligible for buy-out:

- (a) The property must have a legally established residential dwelling on the site.
- (b) If the property is mixed-use (for example, includes commercial or agricultural uses) then only the residential portion is eligible for buy-out. Auckland Council will negotiate this.
- (c) Properties that have changed hands since 26 January 2023 are only eligible at Auckland Council’s discretion and/or on other terms that Auckland Council agrees to.
- (d) [Second homes and baches are excluded from eligibility.]

#### 6. Category 3

- (a) Category 3 residential properties are ones which, as a result of the severe weather events, represent:
  - An intolerable risk to life from land instability or flooding risk; and
  - There are no [economically feasible / affordable] mitigation solutions (either property-based or infrastructure) that would reduce that risk to acceptable levels.
- (b) Auckland Council has adopted specific criteria for what constitutes an intolerable risk to life [LINK] and how to apply the [“no affordable mitigation”] threshold [LINK]. Only properties that Auckland Council assesses as meeting these tests will be eligible for voluntary buy-out.

#### 7. Price

The buy-out price will be the “reference valuation” less all insurance and EQC proceeds, [less homeowner contribution], [and not exceeding Auckland Council’s payment cap of [\$xx]]:

- (a) The reference valuation will be the market value of the property as at [26 January 2023 (being the day before the Auckland Anniversary Weekend floods)/[a post-event date, such as 1 November 2023] as assessed by Auckland Council’s [registered valuer].
- (b) Valuers will be appointed by Auckland Council, and where possible they will work in specific areas to help consistency across the valuations.
- (c) Insurance and EQC proceeds include all payments made or payable in respect of the severe weather events, with the following allowances:

- Auckland Council will still offer to buy-out eligible properties that are uninsured, under-insured, or where the property owner has become disqualified from payouts (for reasons other than fraud).
- Auckland Council will top-up for any insurance or EQC proceeds that the property owner has spent in good faith on property remediation prior to Auckland Council's buy-out offer. This will require a statutory declaration and receipts. Council will **not** top-up insurance proceeds spent on other things.

(d) [A homeowner contribution will be deducted from the buy-out price as follows:

- Insured property - [5% of the reference valuation]
- Uninsured property - [20% of the reference valuation]

If more than one of these applies, the deduction will be [the greater %]. Council may in its discretion reduce the uninsured homeowner contribution to [down to 5%] if there was little or no insurable loss OR the owner can demonstrate a history of payment of house insurance premiums at the property.]

(e) [Council payments under the Scheme are capped. Irrespective of property value or insurance status, Auckland Council will not pay more than [\$xx] in respect of any property.]

#### Example

Sally lived in her West Auckland home which Auckland Council has assessed as Category 3 because of land instability from the severe weather events, which cannot feasibly be mitigated.

Auckland Council's valuer has assessed its market value as \$1.2m as at 26 January 2023. Sally has received an EQC payout of \$300,000 and has private insurance of \$400,000 (which is slightly underinsured given the value of her home). She spent \$20,000 on repairs.

Auckland Council will pay \$460,000 (being the \$1.2m valuation, less EQC payout of \$300,000, less insurance payout of \$400,000, plus reimbursement of the \$20,000 repairs, less \$60,000 (being [5%] of the assessed market value).

## 8. Process

The buy-out process will generally proceed as follows:

- (a) Categorisation assessment by Auckland Council.
- (b) Letter of offer to eligible property owners (with a specified offer period). [3 months]
- (c) Valuation of property by council (with any dispute resolution).
- (d) Signing a Sale and Purchase Agreement for the **finally accepted price**:



- Subject to payout of all EQC and insurance claims to Auckland Council's satisfaction.
- Subject to evidence of repair costs (if applicable).

(e) Settlement of buy-out (payment, and transfer of title to Auckland Council).

Auckland Council will provide a [\$5,000] contribution to legal and advice costs of property owners who enter into Sale and Purchase Agreements. Property owners will need to engage their own lawyer to assist with settlement of the sale process (like a normal house sale). Once settled, the property will belong absolutely to council.

#### 9. Dispute resolution

Auckland Council will establish a dispute resolution process [LINK] for:

- (a) Categorisation assessment (e.g., if someone thinks their property should/should not be Category 3 contrary to Auckland Council's assessment).
- (b) Valuation dispute (e.g., if someone thinks Auckland Council's valuation is too low).

The dispute resolution process will involve internal review as a first step, with the further option to refer the matter to an independent evaluator.

The dispute resolution process only relates to the assessment and application of the Voluntary Buy-out Support Scheme Terms, and is not an opportunity to contest the Terms themselves.

#### 10. Special circumstances

At the request of a property owner, Auckland Council at its discretion will consider whether to make a minor departure from a buy-out position set out in these terms. Any decision to apply a different process or outcome will have regard to:

- (a) Auckland Council's overarching policy objective to support Aucklanders to voluntarily relocate from residential housing situations on properties that pose an intolerable risk to their lives.
- (b) The council's further objectives guiding its policy approach. This will involve consideration of whether a departure from the Terms is Effective; Affordable; Fair and Consistent with policy intent; and Equitable.

Any decision to depart from the terms will be made by Auckland Council or its delegate and recorded in writing. Departures will only be considered for exceptional or unique individual circumstances, and will not extend to departures that:

- (i) have a substantial impact on Voluntary Buy-out Support Scheme eligibility or payments;
- (ii) reset policy decisions already made;
- (iii) are claims for financial hardship assistance; or
- (iv) are disputes or discretions already allowed for elsewhere in these terms.



### 11. Regulatory role

Nothing in the Voluntary Buy-out Support Scheme affects or limits any of Auckland Council's statutory and regulatory responsibilities. For example, **irrespective of the buy-out status of a property**:

- (a) Auckland Council is still required to manage property safety [placarding] and notation of LIMs.
- (b) None of Auckland Council's powers under the Public Works Act 1981 to acquire properties and undertake public works are limited.

### 12. Limitations

The Voluntary Buy-out Support Scheme is the total funding Auckland Council is making available for buy-out of severe weather events affected properties, and payments by Auckland Council are limited to payments under these Terms. No additional payments will be made.

Auckland Council does not accept any liability for remediation, compensation or infrastructure delivery to mitigate any other harm or loss arising from the severe weather events. The council will make separate decisions about its wider response to the severe weather events and ongoing mitigation works.

END





# Consultation Feedback for Storm Affected Properties

**Confidential Governing Body Workshop**

04 October 2023



# Agenda

1. Public Consultation Feedback
2. Local Boards Feedback
3. Voluntary Buy-out Support Scheme Methodology - Options



# 1. Public Consultation Feedback - Context






- Auckland's recovery from the severe weather events of early 2023 will require significant investment.
- Auckland Council has worked with central government to secure a funding package, and needs to understand Aucklanders' views before deciding whether to agree to the funding package or not.
- Aucklanders were asked for their feedback on the proposed funding package, the methodology that Auckland Council should use to purchase Category 3 properties, and whether council should advocate central government to establish a national scheme to support recovery from future events.
- Public feedback through this process is one of a range of very important factors for Councillors to consider. However, it is not binding on the decisions that the Council will make.







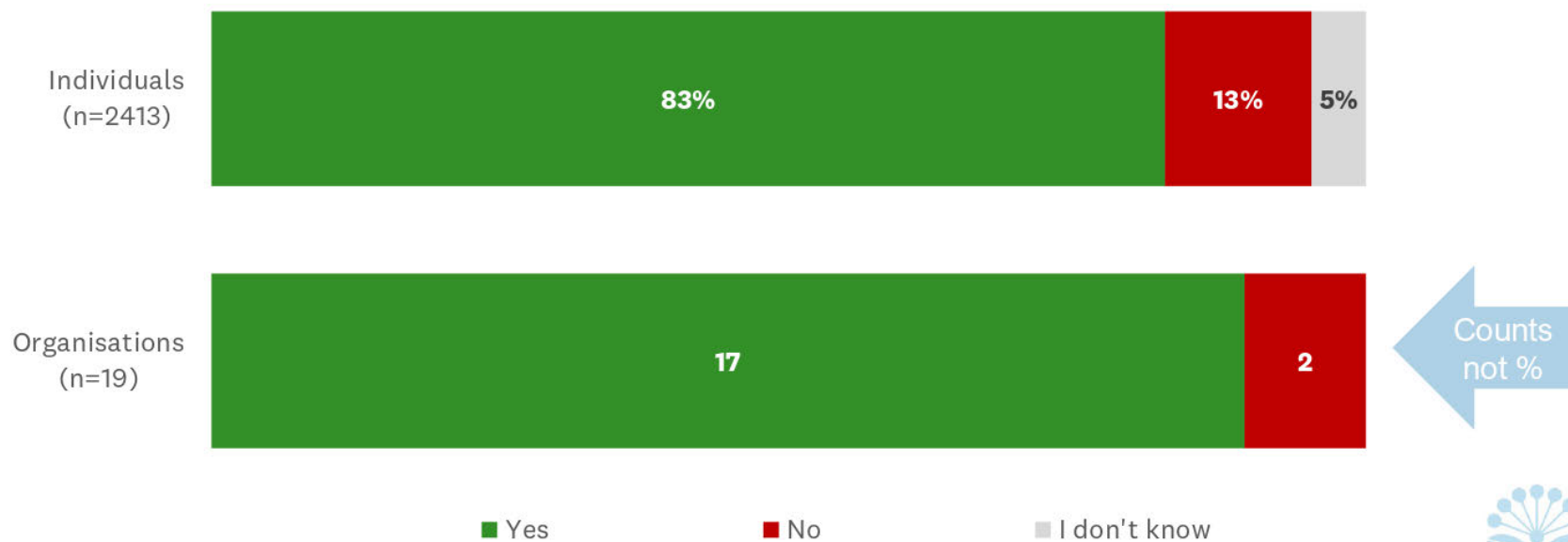
# Overview

-  Consultation occurred from 11 September to 24 September 2023. (Abridged due to critical deadlines)
-  Communications focussed on driving Aucklanders to feedback channels
-  Used council networks and databases to increase awareness and engagement
-  Primarily online, including online webinar, plus hard copies in libraries and service centres, and two drop-in sessions
-  2,461 total submissions received, including 20 from organisations



# Over four in five submitters support accepting the funding package

Do you support the council accepting the proposed funding package?



## Qualitative themes on the proposal – among those who **support** accepting the funding package



Support for property buyouts – but often with caveats



The role of insurance. Un-insured and under-insured



Fairness, equity and a quick resolution



Infrastructure investment and improvements



## Qualitative themes on the proposal – among those who **do not support accepting the funding package**



Opposition to property buyouts



Infrastructure investment and improvements



Concern about rates impact



## Qualitative summary of feedback on the **buy-out methodology**



Insured vs un-insured and under-insured



Capital Value (CV) vs market value



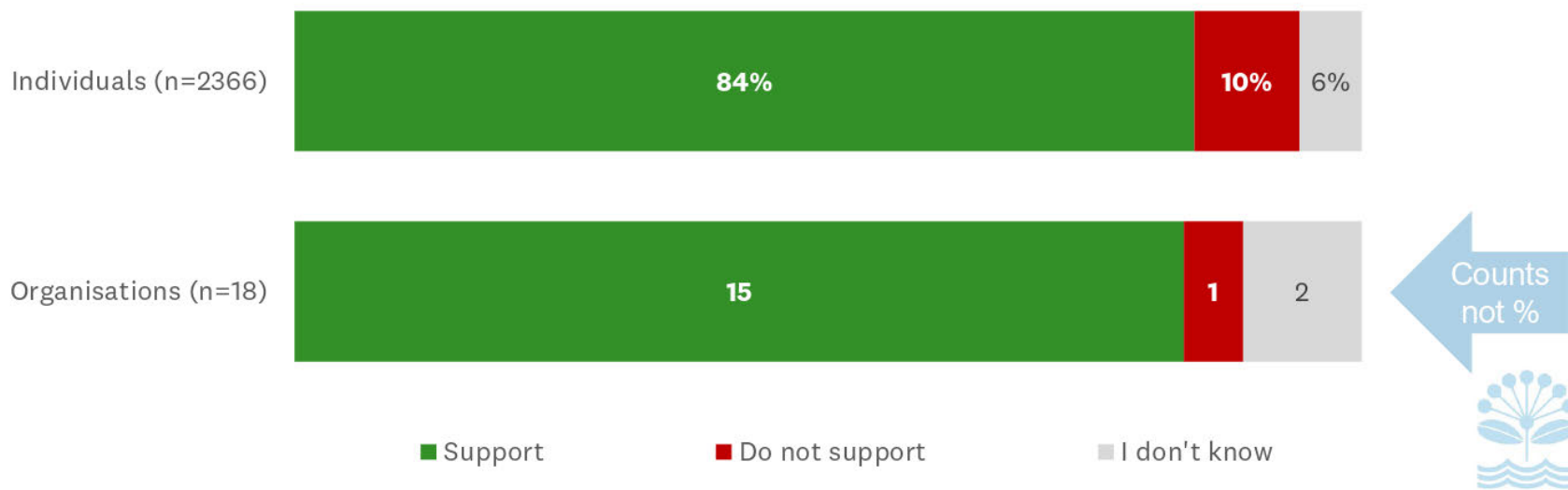
Eligibility: all house types vs primary residence





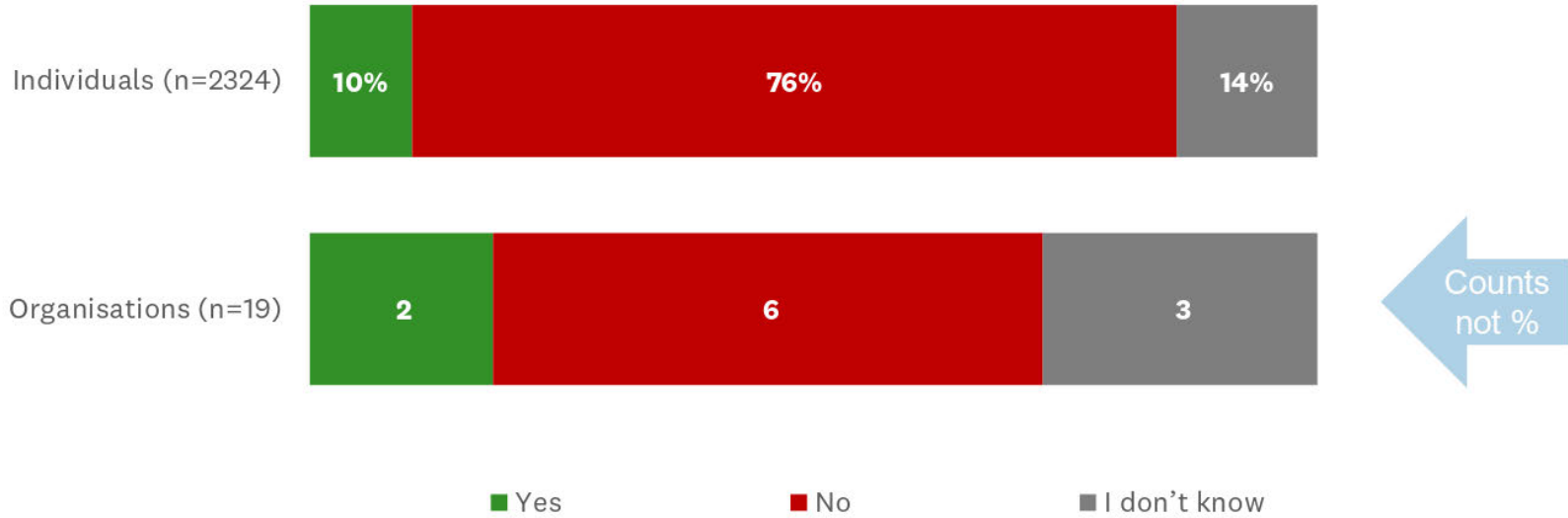
# Over four in five submitters support Auckland Council advocating for a national scheme

## Would you support Auckland Council advocating for the establishment of national schemes for these purposes?

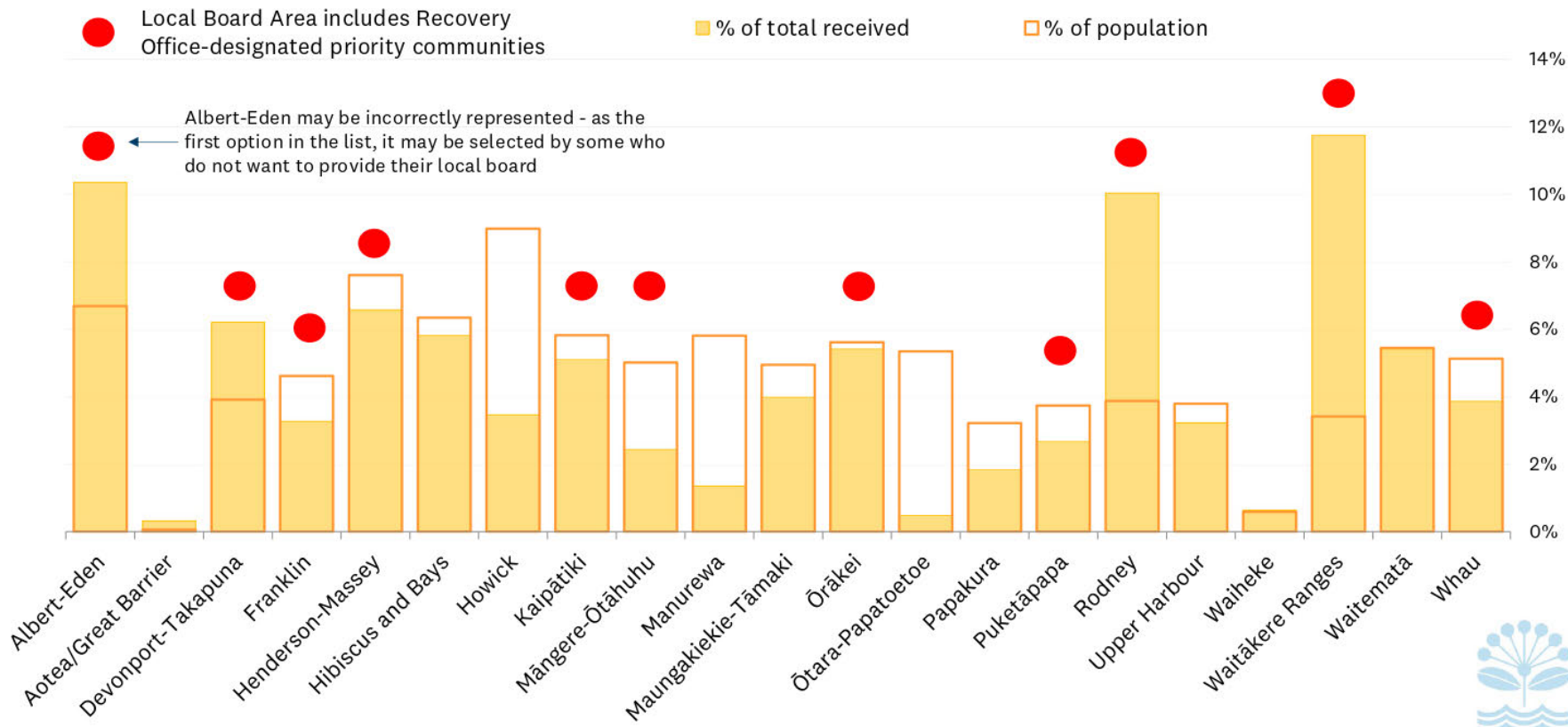


**One in ten submitters think they would be eligible for a category 3 buy-out under this proposal**

**Do you think you might be eligible for a category 3 buy-out under this proposal?**



# The number of submissions varied widely between local boards



## 2. Local Boards Feedback

- Strong support for Funding Package
- Financial challenges to ratepayers
- Community communication
- Challenges in representing community views
- Monitoring and involvement
- Support for Making Space for Water initiative





# 3. Voluntary Buy-out Support Scheme Methodology Options



## Approach to decisions on Friday

- Responding to the following GB resolution (August 2023)
  - ohia / endorse an in-principle agreement with the Crown, subject to public consultation, to co-fund storm recovery costs for affected properties and infrastructure as set out in the offer made by the Crown on 23 August 2023.
- Open report
  - reporting public feedback and local board input
  - noting Council role in recovery of category 2P properties is under consideration and will be reported as soon as possible.
- Confidential report
  - setting out options for category 3 buy-out methodology
  - considering options to accept or reject funding package



# A Policy-based Approach

- Objective
  - To support Aucklanders to voluntarily relocate from residential housing situations on properties that pose an intolerable risk to their lives.
- Secondary objectives
  - Effective
  - Affordable
  - Fair and consistent with policy intent
  - Equitable

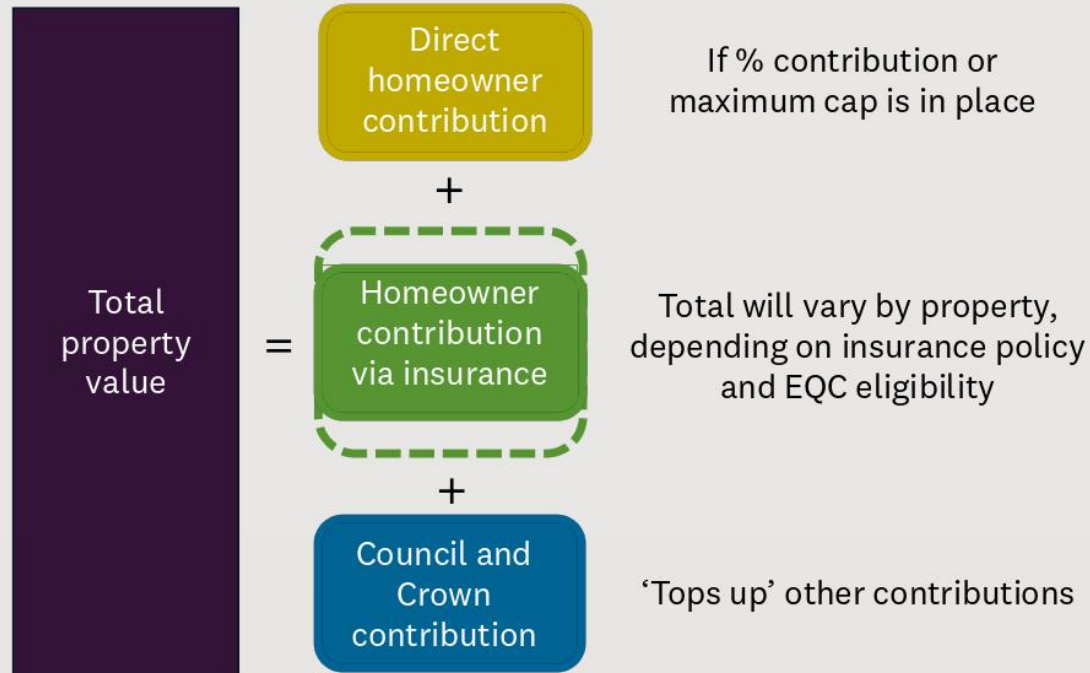


# Voluntary Buy-out Support Scheme

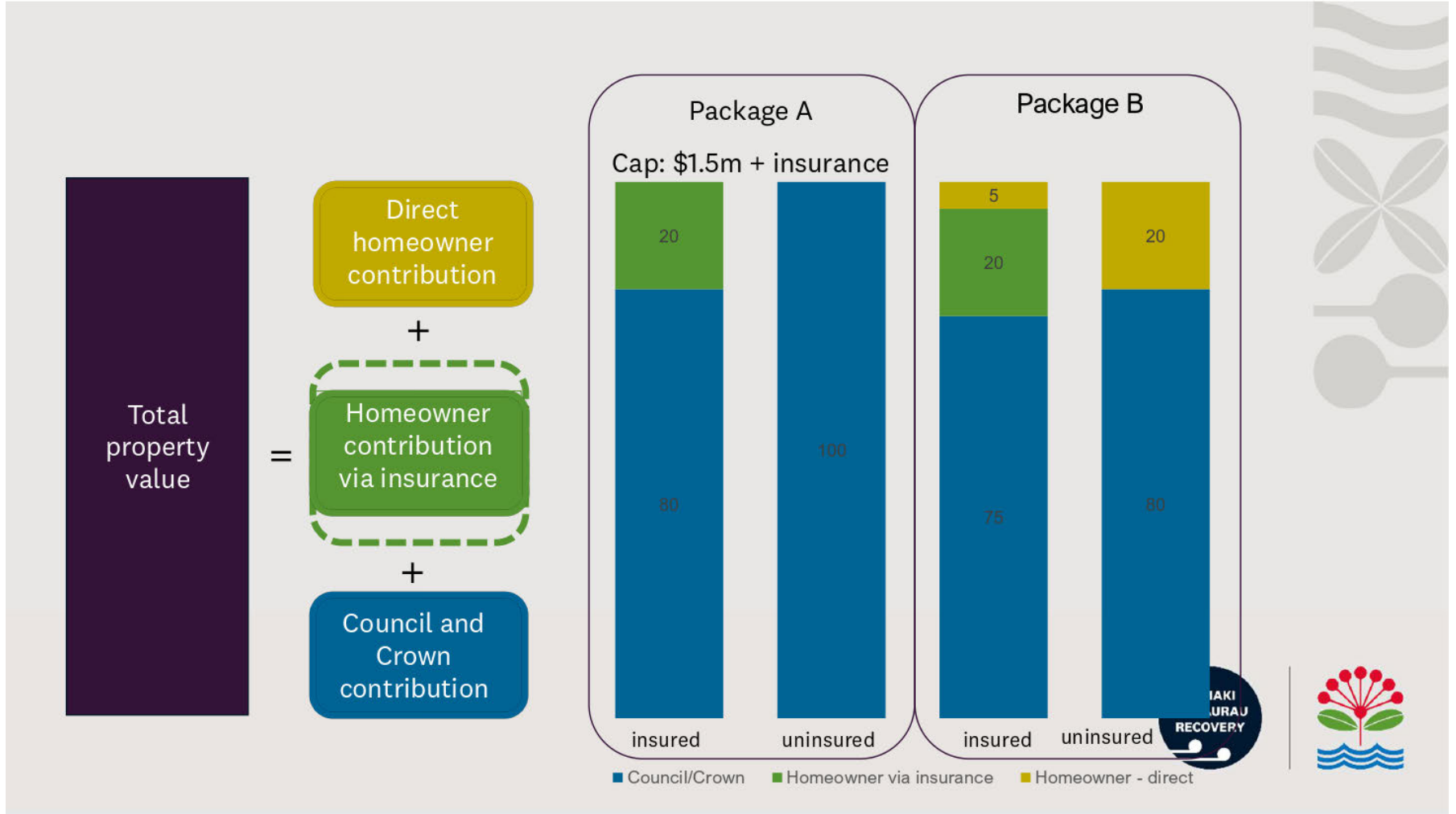
- Policy settings are the decision of Auckland Council
- Governing Body needs to agree settings for:
  - Approach to insurance status
  - Valuation method
  - Maximum level of buy-out support
  - Level of homeowner contribution
  - Approach to secondary properties
  - Consideration of special circumstances
  - Approach to dispute resolution



# Contributions to Property Purchases







## Two Packages for Consideration

Option	Package A (staff recommendation)	Package B (Storm Recovery Political Advisory Group recommendation)
<b>Valuation</b>	Market valuation pre-events	Market valuation pre-events
<b>Maximum buy-out payment cap (excl. insurance and EQC)</b>	\$1.5 million maximum	No cap
<b>Homeowner contribution</b>	No homeowner contribution	5% homeowner contribution
<b>Insurance status</b>	Do not take insurance status into account	Up to 20% contribution from uninsured properties, with provision for special circumstances
<b>Secondary properties</b>	Exclude secondary properties	Include secondary properties
<b>Special circumstances</b>	Include a process for special circumstances	Include a process for special circumstances

5% on first \$1.5m  
+  
10% on next \$1.5m  
+  
15% on anything above \$3m



## Example A: \$1 million Property

	Staff Package			Advisory Group Package		
	Damaged / insured	Undamaged / insured	Damaged / uninsured	Damaged / insured	Undamaged / insured	Damaged / uninsured
<b>Property value</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>
Less insurance and EQC (assumed 20% of CV)	(200,000)	0	0	(200,000)	0	0
Less homeowner contribution (5% general, 20% if uninsured)	n/a	n/a	n/a	(50,000)	(50,000)	(200,000)
Less amount over cap (\$1.5 million)	0	0	0	n/a	n/a	n/a
Cost to scheme	800,000	1,000,000	1,000,000	750,000	950,000	800,000
<b>Total received by homeowner</b>	<b>\$1m</b>	<b>\$1m</b>	<b>\$1m</b>	<b>\$950,000</b>	<b>\$950,000</b>	<b>\$800,000</b>



## Example B: \$2 million Property

	Staff package			Advisory group package		
	Damaged / insured	Undamaged / insured	Damaged / uninsured	Damaged / insured	Undamaged / insured	Damaged / uninsured
<b>Property value</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>
Less insurance and EQC (assumed 20% of CV)	(400,000)	0	0	(400,000)	0	0
Less homeowner contribution (5% general, 20% if uninsured)	n/a	n/a	n/a	(125,000)	(125,000)	(400,000)
Less amount over cap (\$1.5 million)	(100,000)	(500,000)	(500,000)	n/a	n/a	n/a
Cost to scheme	1,500,000	1,500,000	1,500,000	1,475,000	1,875,000	1,600,000
<b>Total received by homeowner</b>	<b>\$1.9m</b>	<b>\$1.5m</b>	<b>\$1.5m</b>	<b>\$1.875m</b>	<b>\$1.875m</b>	<b>\$1.6m</b>



## Example C: \$3.5 million Property

55	Staff package			Advisory group package		
	Damaged / insured	Undamaged / insured	Damaged / uninsured	Damaged / insured	Undamaged / insured	Damaged / uninsured
<b>Property value</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>3,500,000</b>	<b>3,500,000</b>
Less insurance and EQC (assumed 20% of CV)	(700,000)	0	0	(700,000)	0	0
Less homeowner contribution (5% general, 20% if uninsured)	n/a	n/a	n/a	(300,000)	(300,000)	(700,000)
Less amount over cap (\$1.5 million)	(1,300,000)	(2,000,000)	(2,000,000)	n/a	n/a	n/a
Cost to scheme	1,500,000	1,500,000	1,500,000	2,500,000	3,200,000	2,800,000
<b>Total received by homeowner</b>	<b>\$2.2m</b>	<b>\$1.5m</b>	<b>\$1.5m</b>	<b>\$3.2m</b>	<b>\$3.2m</b>	<b>\$2.8m</b>







# Potential Scheme Cost

- Assumptions
- Modelling
- Sensitivity



## Modelling Assumptions

- All factors are highly uncertain
- Identifying, and assessing flood impacted properties across Auckland will involve both desktop and field work and take a number of months.

Factor	Assumption
<b>Number of properties</b>	Best current estimate is 700 Category 3 properties
<b>Value of properties</b>	For modelling purposes scaled up dataset of self-identified Category 3 properties. Average CV is \$1.3m
<b>Level of insurance payout</b>	Conservative estimate of 20% of property value
<b>Uninsured properties</b>	3% of properties
<b>Transaction costs</b>	Assumed \$15,000 per property
<b>Property use</b>	Assumed no secondary homes



## Modelled Scheme Costs

Option	Staff recommendation	Storm Recovery Political Advisory Group recommendation
<b>Valuation</b>	Market valuation pre-events	Market valuation pre-events
<b>Maximum buy-out payment cap</b>	\$1.5 million maximum	No cap
<b>Homeowner contribution</b>	No homeowner contribution	Homeowner contribution from 5% (sliding scale)
<b>Insurance status</b>	Do not take insurance status into account	Up to 20% contribution from uninsured properties, with provision for special circumstances
<b>Secondary properties</b>	Exclude secondary properties	Include secondary properties
<b>Special circumstances</b>	Include a process for special circumstances	Include a process for special circumstances
<b>Modelled total scheme cost</b>	<b>\$689 million</b>	<b>\$689 million</b>



## Scheme Cost Sensitivity: Staff Recommendation

		Insurance payout sensitivity		
		30% of CV	Base (20% of CV)	10% of CV
Number of properties sensitivity	-10% (630 properties)	\$559m	\$620m	\$678m
	Base (700 properties)	\$622m	\$689m	\$753m
	+10% (770 properties)	\$684m	\$758m	\$828m



## Scheme Cost Sensitivity: PAG Recommendation

		Insurance payout sensitivity		
		30% of CV	Base (20% of CV)	10% of CV
Number of properties sensitivity	-10% (630 properties)	\$538m	\$620m	\$702m
	Base (700 properties)	\$597m	\$689m	\$780m
	+10% (770 properties)	\$657m	\$757m	\$858m





# Approach to Dispute Resolution

Recommending to:

- agree in principle an **internal review + external / independent review**
- request staff develop a detailed dispute resolution process for approval by the Governing Body (or delegation to Storm Recovery Political Advisory Group)





# Discussion





Confidential and Legally Privileged

## Dispute Resolution approach

1. A dispute resolution process for homeowners who wish to challenge categorisation or buy-out (valuation) decisions is recommended. This will both ensure robust decision-making and procedural fairness and reduce as much as possible the risk of litigation through the courts.
2. The following options have been identified:
  - a. Option 1: No dispute resolution process – not recommended.
  - b. Option 2: Internal review only (i.e. within council) – not recommended
  - c. Option 3: Internal review + external/independent review – recommended.
3. The external/independent review would not be an opportunity to challenge the Categorisation Approach or Buyout Scheme, nor would it be a formal hearing process. Rather, an external review could involve:
  - a. an independent review of a Categorisation Decision and/or the application of the Scheme rules to individual properties;
  - b. an expert decision maker (or panel) independent to Council with relevant expertise assessing individual decisions ‘on the papers’; and
  - c. a binding decision, so that disputes are not dragged out.
4. **Legal Professional Privilege s 7(2)(g) LGOIMA**  
[Redacted text]
5. [Redacted text]
6. A dispute resolution scheme, with internal and external review options, will ensure fairness and transparency of process, by allowing affected home-owners with an opportunity to question and in some cases challenge decisions in relation to their property. It is consistent with the assessment criterion of effectiveness, as the ability to have disputes considered through a dispute resolution as part of the scheme is likely to increase public confidence and therefore “buy-in”.
7. Although a dispute resolution process will increase upfront time and cost in implementing and completing the categorisation and buy-out of category 3 homes, it will likely decrease overall time and cost spent on challenging decisions through the courts. The risk of exceeding overall funding available is greater if no dispute resolution process is adopted, as court challenges will take months, if not years to resolve and increase costs in legal fees significantly.

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8 Legal Professional Privilege s 7(2)(g) LGOIMA  
[Redacted text block]

9. It is recommended that the Governing Body endorse in principle the approach of allowing for both internal and external review options in relation to categorisation and valuation decisions and request staff to develop a detailed dispute resolution process for consideration by the Governing Body at a later date.

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## Assessment of the proposed co-funded Storm Recovery package against the provisions of the Local Government Act 2002 and Auckland Council's identified priorities and desired outcomes

26 September 2008

### Background

1. The proposed co-funded Storm Recovery package sets out three elements to be jointly funded by central government and Auckland Council, in response to the severe weather events of Auckland Anniversary Weekend and Cyclone Gabrielle:

a. Transport network recovery

A contribution towards the recovery costs of our transport networks from the direct impacts of storm events. Some of this would ordinarily be funded by Waka Kotahi but the proposal includes full funding of some projects to reduce required council funding. Example projects include Mill Flat Road bridge (temporary Bailey bridge and permanent fix), access to Karekare and Piha, and underslips on Bethells Road.

b. Buy-out scheme

50:50 funding towards a voluntary buy-out scheme for residential properties assessed as category 3. Based on current estimates of 700 properties this is projected to cost \$774 million, with the Crown and the council each contributing \$387 million. Auckland Council is responsible for defining the categorisation and purchase methodologies. If the maximum amount is breached, there is a commitment to good faith discussions on next steps.

c. Risk mitigation projects

A pre-allocation of \$360 million from the National Resilience Plan funding towards Category 2 risk mitigation projects within Auckland. This equates to 62 per cent of the projected capital costs of interventions such as the Making Space for Water proposal. Crown to pay 62 per cent of the cost of each eligible project until pre-allocation is exhausted.

### Assessment against the provisions of the Local Government Act

2. There is no specific statutory framework underpinning the government's proposed funding package, particularly the categorisation framework and the buyout of category 3 properties. The relevant legislative framework is the Local Government Act 2002 (LGA).
3. The council needs to consider whether the proposed package is consistent with the statutory purpose, role and principles of local government, and to ensure that it is meeting its decision-making obligations under Part 6 of the LGA.
4. Table One provides an assessment of the proposed co-funded Storm Recovery package against the relevant provisions of the LGA. Note that section 14(2) acknowledges that there may be circumstances in which the principles in section 14, or aspects of wellbeing, may be in conflict. Where that is the case, the council should resolve that conflict in an open, transparent, and democratically accountable manner.

Table One: assessment of proposed package against LGA provisions

	Local Government Act provisions	Consideration of proposed package
1	<p>s.10 The purpose of local government is –</p> <p>(a) to enable democratic local decision-making and action by, and on behalf of, local communities; and</p>	<p>The government announced the package as part of a ‘locally-led, centrally-supported’ recovery process.</p> <p>Development of the three elements of the package reflects local priorities to get on with recovery efforts, including repairing transport networks, improving resilience, and supporting directly impacted communities.</p> <p>The approach and package has been consulted on in several ways, including two public consultation processes and further engagement with directly impacted communities. These processes have revealed general support for the three elements of the package, with concern about the distribution of costs and liabilities, and questions about the role of the council compared to insurance companies and central government when it comes to category 3 buy-outs.</p>
2	<p>s.10 (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.</p>	<p>All three elements of the package contribute to well-being:</p> <ul style="list-style-type: none"> <li>Repairs to the transport network will enable people to move around their communities and pursue their economic, social and cultural wellbeing. Repairs will also remediate environmental damage caused in the storm (e.g. erosion and sedimentation).</li> <li>Resilience projects will reduce the risks of flooding and landslides, and contribute to all four aspects of well-being for impacted communities. These benefits will not be evenly spread across the region.</li> <li>Voluntary category 3 buyouts will support affected property owners to leave situations of intolerable risk to life and improve their social and economic well-being. While these benefits are at the household level, they will contribute to wider community well-being by allowing for greater stability in housing situations (and wider community connected benefits e.g. for schooling and employment).</li> </ul> <p>The benefits of package projects will be felt most directly by the communities who were most directly impacted, and have experienced the greatest hardship as a result of the severe weather events. These communities are spread across the region, with concentrations in the West, North and central Auckland.</p>
3	<p>s.11 The role of a local authority is to –</p> <p>(a) give effect, in relation to its district or region, to the purpose of local government stated in section 10; and</p> <p>(b) perform the duties, and exercise the rights, conferred on it by or under this Act and any other enactment.</p>	<p>The proposed package would be implemented by Auckland Council. This would give effect to the council’s priorities relating to storm recovery. It would entail a significant commitment of council resources, particularly to administer the category 3 property purchases.</p> <p>This method is generally outside the council’s current role and direction on water-related hazards. The decision to implement a private property purchase intervention is based on the:</p>

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		<ul style="list-style-type: none"> <li>unprecedented nature and impact of the January – February 2023 wet weather events</li> <li>announcements by government committing the council to a property buy out scheme</li> <li>level of risk to households without support to relocate where there is no other feasible way to reduce risk to a tolerable level</li> <li>significant benefits to ratepayers through co-funding agreement the high public infrastructure recovery costs</li> <li>advocating for a national framework to be developed to support private property purchase for future extreme weather events.</li> </ul>
4	<p>s.14 (1) In performing its role, a local authority must act in accordance with the following principles:</p> <p>(a) a local authority should –</p> <p>(i) conduct its business in an open, transparent and democratically accountable manner; and</p>	<p>Consultation has provided opportunity for direct feedback from members of the public. Although the timeframe was constrained, every effort was made to reach Aucklanders, including advertising, a direct mailout to affected property owners, invitations to participate via community partners and the Peoples’ Panel. The feedback form was provided in multiple languages.</p> <p>Regular meetings with impacted communities have provided opportunities for openness, transparency and democratic accountability.</p> <p>Further decisions on funding mechanisms will be considered through the 2024 – 2034 Long-term Plan.</p>
5	<p>s.14 (1) (a) (ii) give effect to its identified priorities and desired outcomes in an efficient and effective manner:</p>	<p>The Purchase Methodology Assessment and Voluntary Buy-out Support Scheme Terms set out recommendations to make implementing the co-funded storm recovery package as efficient and effective as possible, given current information limitations. As further information becomes available, officers expect to be able to make improvements to the delivery mechanisms. (This information may include, for example, the number of properties assessed to be category 3 and the subsequent number who voluntarily accept the buyout offer, and the locations where blue-green network solutions are feasible.)</p>
6	<p>S.14 (1) (b) a local authority should make itself aware of, and should have regard to, the views of all its communities; and</p>	<p>Consultation has provided opportunity for direct feedback from members of the public. Although the timeframe was constrained, every effort was made to reach Aucklanders, including advertising, a direct mailout to affected property owners, invitations to participate via community partners and the Peoples’ Panel. The feedback form was provided in multiple languages.</p> <p>Local boards have also provided local community perspectives.</p> <p>Engagement with mana whenua is ongoing, as part of the preparation of the Tāmaki Makaurau Recovery Plan. This has included some sharing of views regarding the proposed co-funded package.</p> <p>Input from these sources is considered in the decision report.</p>
7	<p>s.14 (1) (c) when making a decision, a local authority should take account of –</p> <p>s.14 (1) (c) (i) the diversity of the community, and the</p>	<p>From community interactions, we know that impacted communities represent the wide range of socio-economic, ethnic, age and household compositions that make Tāmaki Makaurau the rich and diverse city that it is. These most impacted communities have the strongest interest in</p>

	community's interests, within its district or region; and	seeing the three elements of the co-funded storm recovery package implemented.  By contrast, communities in many other parts of Auckland quickly recovered from the immediate effects of heavy rain and high winds and have reverted to 'life as usual.' Feedback suggests that these communities wish to support impacted communities, and to improve Auckland's storm resilience, with some concern about the impact of increased costs to ratepayers, particularly given current escalations in the cost of living.
8	s.14 (1) (c) (ii) the interests of future as well as current communities; and	The three elements of the package will all contribute to the future resilience of communities. The benefits will be more weighted to more directly impacted communities. Given their vulnerability to flood and land slide hazards, it is likely that these areas will be impacted again in future severe weather events. If resilience improvements are not made, there is a risk that communities become entrenched in a 'disaster-rebuild-disaster' cycle, with associated costs to individuals, communities, and the council.
9	s.14 (1) (c) (iii) the likely impact of any decision on each aspect of well-being referred to in section 10;	Discussed in line 2, above
10	s. 14 (1) (d) a local authority should provide opportunities for Māori to contribute to its decision-making processes;	A bespoke engagement with mana whenua is underway as part of preparing the Tāmaki Makaurau Recovery Plan. Mana whenua attending hui have been invited to comment on the proposed co-funded storm recovery package. Feedback and opportunities to improve the quality of engagement moving forward are noted in the decision report.
11	S.14 (1) (e) a local authority should actively seek to collaborate and co-operate with other local authorities to improve the effectiveness and efficiency with which it achieves its identified priorities and desired outcomes; and	Auckland Council officers have been co-operating with officers from the other councils affected by the North Island Severe Weather Events, in Hawkes Bay, Tairāwhiti, and Northland. Information sharing has helped to improve response and recovery efforts, including defining the terms of the proposed co-funding agreement. The policy recommendations in the decision report are broadly aligned with those developed by other councils, allowing for some variation in the events, impacts, development patterns, natural hazards, and other circumstances of the councils.
12	s. 14 (1) (f) a local authority should undertake any commercial transactions in accordance with sound business practices; and	N/A. No commercial transactions are considered in this package. While the provision is not directly applicable, the property transactions in the Voluntary Buy-out Support Scheme will be undertaken in an effective and orderly way.
13	s.14 (1) (fa) a local authority should periodically –  (i) assess the expected returns to the authority from investing in, or undertaking, a commercial activity; and  (ii) satisfy itself that the expected returns are likely to	N/A. No commercial activities are considered in this package.



	outweigh the risks inherent in the investment or activity; and	
14	s.14 (1) (g) a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region, including by planning effectively for the future management of its assets; and	<p>Resilience projects in the Making Space for Water programme will create new open space/flood management assets. In normal times these will provide for recreation and amenity. In severe weather, they will act as storage for excess overland flow, directing floodwaters away from vulnerable activities and assets such as homes, businesses and community facilities.</p> <p>The number of resilience projects envisaged in the co-funded package is a small portion of what will be necessary to improve resilience to natural hazards throughout the region. This is an ongoing programme of work, including flood management, coastal hazard management, and a regional assessment of land instability.</p>
15	s.14 (1) (h) in taking a sustainable development approach, a local authority should take into account –  (i) the social, economic, and cultural well-being of people and communities; and	<p><i>Of note, this principle refers to ‘people’ as well as ‘communities’</i></p> <p>Intolerable risk to life from floods and land slides does not constitute a sustainable development approach.</p> <p>See comments on well-being in line 2.</p>
16	s.14 (1) (h) (ii) the need to maintain and enhance the quality of the environment; and	The severe weather events have had significant effects on the environment in some areas, with damage to streams and streambanks, landforms and trees. In order to maintain and enhance the quality of the environment, this damage needs to be repaired, along with damage to critical infrastructure such as roads, water supply and telecommunications networks.
17	S.14 (1) (h) (iii) the reasonably foreseeable needs of future generations.	The impacts of climate change are expected to lead to more frequent severe weather events and increased levels of natural hazards. Areas that are already flood-prone or subject to land instability may be further at risk, particularly as events become more likely to exceed the planning and building standards of previous decades. While new developments and buildings can be built to meet higher standards, most of the region’s buildings and infrastructure is already in place. It is reasonably foreseeable to anticipate a greater need for resilience-focused improvements, including more flood management and geotechnical work.

**Assessment against Auckland Council’s identified priorities and desired outcomes**

5. Section 14(1)(a)(ii) of the LGA states that, in performing its role, a local authority should give effect to its identified priorities and desired outcomes in an efficient and effective manner.
6. The proposed co-funding package aligns with a number of Auckland Council’s priorities and desired outcomes, as described in core strategies, policies and plans. While current policies, plans and strategies do not provide specific direction on recovery from the impacts of flooding and severe weather events, they provide strategic direction and principles which have guided discussions relating to the proposed package. Future reviews of these policies may include more specific actions to support recovery from storm events.
7. The relevant policies are identified in Table Two.



Table Two: Assessment of council strategies and plans

Strategy or plan	Relevant priorities and desired outcomes
Auckland Plan	<p>Belonging and Participation</p> <ul style="list-style-type: none"> <li>• Direction 1 Foster an inclusive Auckland where everyone belongs</li> <li>• Direction 2 Improve health and well-being for all Aucklanders by reducing harm and disparities in opportunities</li> <li>• Focus Area 3 Support and work with communities to develop the resilience to thrive in a changing world</li> <li>• Focus Area 6 Focus investment to address disparities and serve communities of greatest need</li> </ul> <p>Transport and Access</p> <ul style="list-style-type: none"> <li>• Direction 3 Maximise safety and environmental protection</li> <li>• Focus Area 2 Target new transport investment to the most significant challenges</li> <li>• Focus Area 7 Develop a sustainable and resilient transport system</li> </ul> <p>Environment and cultural heritage</p> <ul style="list-style-type: none"> <li>• Direction 4 Ensure Auckland’s infrastructure is future-proofed</li> <li>• Focus Area 5 Adapt to a changing water future (acknowledges that we need to improve our ability to manage and respond to the water-related impacts of climate change such as flooding and droughts)</li> </ul>
Auckland Unitary Plan	<ul style="list-style-type: none"> <li>• Chapter E36 sets objectives and policies to manage the risk of adverse effects to people, property, infrastructure and the environment from natural hazards including flooding and land instability</li> </ul>
Auckland Water Strategy	<ul style="list-style-type: none"> <li>• Te Tiriti Partnership – Council and mana whenua are partners in the protection, management and enhancement of water</li> <li>• Empowered Aucklanders (strategic shift 2). This includes the aim that: <ul style="list-style-type: none"> <li>○ Aucklanders work together to be resilient to the impacts of extreme water-related events and to a changing climate</li> </ul> </li> <li>• Regenerative Water infrastructure – Auckland’s water infrastructure is regenerative, resilient, low carbon and increases the mauri of water.</li> <li>• Integrated Land-Use and Water Planning (strategic shift 6). This includes aims that: <ul style="list-style-type: none"> <li>○ 2. spatial planning integrates land use, water and infrastructure decision-making</li> <li>○ 3. the cumulative effects of land use within catchments are understood and managed to protect and enhance mauri</li> <li>○ 6. exposure to water-related natural hazard risk decreases over time; growth occurs outside of natural hazard areas and provides appropriate mitigation where this is not practicable, and risks are low</li> </ul> </li> <li>• Restoring and Enhancing Water Ecosystems – Catchment-based approaches to the health of water ecosystems</li> </ul>
Civil Defence and Emergency Management Plan 2016 – 2021 (under review)	<ul style="list-style-type: none"> <li>• Reduction - Reduce risks to Auckland</li> <li>• Readiness - To increase community awareness, understanding, preparedness and participation in emergency management</li> <li>• Response - To enhance Auckland's capability to manage disasters</li> <li>• Recovery - To enhance Auckland's capability to recover from disasters</li> </ul>

	<ul style="list-style-type: none"> <li>Resilience - To build a resilient Auckland to support the vision of Auckland become "the worlds most liveable city"</li> </ul>
Infrastructure Strategy	<ul style="list-style-type: none"> <li>Regenerate natural systems - Prioritise the use of green infrastructure to provide multiple benefits with a low carbon footprint and include lifecycle analysis requirements in business cases</li> <li>Reduce waste - Establish operational waste baselines and targets to support Auckland's journey to zero waste</li> <li>Deliver flexible, adaptable infrastructure - long term resilience and natural hazards planning embed in new infrastructure (incl. long-term costs)</li> <li>Understand resilience and vulnerabilities of infrastructure system</li> <li>Focus on communities of greatest need – tailor services to needs and opportunities for communities of greatest need</li> <li>Regenerative and mauri enhancing infrastructure - water infrastructure that is regenerative, resilient, low carbon and increase mauri of water</li> </ul>
Natural Hazards Risk Management Action Plan	<ul style="list-style-type: none"> <li>Strategy, policy and planning - Natural hazards and their risks are recognised throughout Auckland's planning framework. Resilience building is given weight in policies and supported through rules and guidance</li> <li>Regulations and consents - The natural hazard risk associated with land development or infrastructure failure is managed through appropriate regulations and a consistent approach to risk management in the consenting process</li> <li>Asset management - Public infrastructure (built and natural) is resilient, well maintained and performs effectively during and after natural hazard events, so that the risks from natural hazards are reduced and managed.</li> <li>The Plan also covers governance and leadership, emergency management, knowledge and research, communication, education and community resilience-building, and partnerships</li> </ul>
Regional Land Transport Plan	<ul style="list-style-type: none"> <li>Climate change and the environment – Improve the resilience and sustainability of the transport system and significantly reduce the GHG emissions it generates</li> <li>Safety – Make Auckland's transport system safe by eliminating harm to people</li> <li>Asset management – Sound management of transport assets</li> </ul>
Te Tāruke-a-Tāwhiri: Auckland's Climate Plan	<ul style="list-style-type: none"> <li>Natural Environment - Resilience of biodiversity, habitats and ecosystems, sustainable land management practices</li> <li>Built Environment - approach to planning and growth, managing existing infrastructure</li> <li>Transport - manage risks to transport network</li> <li>Communities and coast - Climate-related migration, changing coastline, resilience of people and places</li> </ul>
Water-related impacts of climate change: A statement of Auckland Council's current role and direction (10 March 2022)	<ul style="list-style-type: none"> <li>The council is committed to long-term solutions that improve our ability to respond to the water-related impacts of climate change</li> <li>The council is fulfilling its leadership role as a unitary authority, alongside the shared responsibility between the government and Aucklanders to respond to the water-related impacts of climate change</li> <li>The council follows a financially prudent and equitable approach to the investment of public funds to respond to the water-related impacts of climate change</li> </ul>