

Recovery response – Storm affected properties

Governing Body Confidential Workshop

23 August 2023



Agenda

1. Update on negotiations
2. Public consultation
3. Next steps



Significant community impact

End October expectation set with impacted property owners to progress buyout process



3,000+ households in temporary accommodation



Disconnection from schools, workplaces + social networks



Increased financial strain + worry about the future



Mental health and wellbeing issues increasing



1. Update on negotiations



Negotiation process

- Negotiation team of officials met regularly with officials from The Treasury
- Regular reporting to the Political Advisory Group
- Final proposal discussed by Mayor and Minister of Finance
- Consideration by Cabinet Committee on 23 August 2023
- Recommendation that council agrees in principle, subject to consultation, on 24 August 2023



Part of total storm costs under negotiation

Around \$4 billion

Recovery costs

\$ 1.2 billion

- Recovery office
- Operating spend and revenue impacts
- Capital spend on fixing assets

Support for affected properties

\$1.2 billion

- Category 3 buy-out programme
- Property specific risk reduction

Resilience and risk management investment

\$1.6 billion

- Making Space for Water
- Provision for other undefined resilience projects
- Storm response fund

Transport portion around \$400m

Estimated at around \$800m

Initial costs of around \$800m

Approx \$2 billion



Transport recovery

- The Crown will provide \$309m which includes a pre-allocation against the National Resilience Plan to provide support of \$110m for a programme of local transport initiatives.
- As \$277m would ordinarily be funded by Waka Kotahi this is an additional \$32m.
- Example projects include:
 - Mill Flat Road Bridge – temporary bailey bridge and permanent fix
 - Access to Karekare and Piha
 - Underslips on the Bethells Road



Buy-out scheme

- Buying residential properties where there is an intolerable risk to life and it is not feasible to mitigate this risk (“Category 3”)
- Current estimates are 700 properties across Tāmaki Makaurau – costing around \$774 million
- Proposal is to fund this 50:50 - \$387 million each
- Auckland Council to define categorisation methodology and purchase methodology
- If maximum amount (\$774m) is breached commitment to good faith discussions on next steps



Risk mitigation projects

- Crown to pre-allocate \$380 million from the National Resilience Plan funding towards risk mitigation projects within Auckland
- This equates to 62% of the projected capital costs of the Making Space for Water proposal
- Crown to pay 62% of the cost of each eligible project until pre-allocation is exhausted



Proposed government funding

	Government share	Government contribution
Transport network recovery	79%	\$309 million
Category 3 buy-outs	50%	\$387 million
Making Space for Water	62% of capex	\$380 million
Total		\$1.076 billion



Funding splits

Item	Costs		Base contributions		Change		Proposal	
	Capex	Opex	Govt	Council	Govt	Council	Govt	Council
Transport	330	60	277	113	31	(32)	309	81
Buy-out scheme (Category 3)	774	-	-	-	387	387	387	387
Risk mitigation (MSFW)	610	210	-	-	380	440	380	440
Total	1,714	270	277	113	799	795	1,076	908



Decisions around funding

- **Transport funding** – this will improve the council’s position and enable previously planned capex to be reinstated or projected debt reduced
- **Buy-out scheme** – initial spend will need to be funded from borrowing with ultimate funding decisions for council share made through the long-term plan
- **Risk mitigation projects** – decisions around these projects will be made through the long-term plan, including project specifics, timing and funding options



Funding options and implications

- Funding for the council's share of the investment will be confirmed through the long-term plan with a number of different funding options available including, reducing or deferring other capital spending, further sale of assets, further service reductions, and considering the level of future rates increases.
- Based on initial timing projections the additional council debt required would peak at \$650m. This would increase the debt-to-revenue ratio by 7% - 9% over the next decade.
- If the council were to proceed with the full proposed programme and fund only using rates then this would require additional rates equivalent to a 3.1% general rate increase. This could be phased in over two years but is on top of the, already indicated, starting point of 13% for 2024/2025 for residential ratepayers.



Council obligations

- Communicate and engage with the category 3 property owners
- Assess and determine which properties are category 3
- Administer the overall programme for purchase of category 3 properties.
- Manage the insurance claims that are assigned to AC
- Take ownership of the category 3 land purchased and be responsible for associated management costs.
- Comply with the invoicing, wash up and related procedures regarding the delivery of the Crown funding.
- Report to the Crown on an ongoing basis



Further matters

- The council has sought a government commitment to a national scheme – to address buy-outs of impacted properties in the future
- Given current point in political term government cannot commit to future policy
- Have highlighted the forthcoming select committee inquiry by Parliament's Environment Committee on community-led retreat and adaptation funding



2. Public consultation



Proposed approach

- Providing greater certainty for impacted Aucklanders is urgent
- Order in Council (OIC) provides flexibility
- Recommend two-week consultation period, starting mid Sept
- Regional consultation, with targeted local engagement
- Enabling decisions as soon as possible
- Consultation content would reflect Crown offer
- Recommend delegating sign-off for consultation documents to the Political Advisory Group to meet timeframes





Hastings and Napier are consulting now

- Deal reached in August
- LTP amendment consultation
- Two-week consultation period
- Key messages:
 - “No Worse Off (with regional benefits)”
 - Enabling us to move forward with greater certainty and urgency
 - We face a big recovery bill, regardless of Crown assistance, and we’ll need to decide how to fund it
 - This is about securing the best possible support package from the Crown to enable us to move forward in a timely way

CONSULTATION DOCUMENT: LONG TERM PLAN (LTP) 2021-2031 AMENDMENT

Moving on from Cyclone Gabrielle

THE BIG PICTURE

This proposal outlines the Crown regional financial assistance package and reasons for Council becoming involved in purchasing properties in Category 3 areas (without any net cost on rates). However, the reality is that Hastings faces a big recovery bill for its share of the cyclone costs, regardless of the Crown's assistance package and proposal put forward here.

The Crown offer will not cover the full costs of the cyclone.

As a community, there will be a need to discuss and determine how we should pay the Cyclone Gabrielle recovery bill. We are planning for that now, with a view to discussions with the community as part of the 2024 Long Term Plan (LTP) process. It is likely there will be a period of elevated rate increases to meet these additional costs.

On February 14, 2023, our district was severely impacted by Cyclone Gabrielle, including the tragic loss of life, displacement of many families and whānau, destruction and damage to homes and critical infrastructure, significant impacts to the regional economy and private sector industries, and the isolation of many communities.

The matters included in this Consultation Document, along with the proposed amendment to the Council's Long Term Plan (LTP), enable us to move forward with greater certainty and urgency.

DESCRIPTION OF THE AMENDMENT

Hastings District Council (along with the other local authorities in Hawke's Bay) has been in complex discussions with the Crown to arrive at a cyclone support package that enables our communities to move forward with their lives.

Unlike the Christchurch earthquake, where the Crown covered the full bill to buy out red-zoned houses, these negotiations have been about cost-sharing; an approach that the Crown is looking to put in place across the country for all Councils affected by Cyclone Gabrielle/2023 severe weather events.

As a result of the cyclone, some areas have been identified as too dangerous to live due to the flood risk. Under the Crown's land categorisation framework, these areas are designated Category 3. The Council has negotiated the terms of an agreement with the Crown for funding for recovery of the region. Part of the overall agreement will involve Council making offers to purchase residential properties in some areas.

As this is a new activity for Council, which will need to be provided for in the Long Term Plan (LTP), we are consulting with you, our community, on the proposal, along with changes to our Revenue and Financing policy.

This document outlines the amendment proposed, in the context of the Crown's overall funding support package, so you can understand the options available.

KEY POINTS

- The integrated package secures an overall Crown contribution to Hawke's Bay of \$556m (approximately \$350m for Hastings)
- Includes a \$203m Crown investment in critical flood mitigation works across the region (via the HB Regional Council, supporting \$100m of works in the Hastings District)
- Includes a \$260m Crown investment in damaged roads and bridges across the region (\$197m in Hastings)
- Includes a capped Crown contribution of up to \$92.5m towards the Council purchasing residential properties in Category 3 areas in HB (sufficient to match an estimated share of \$50m from Hastings)
- To receive almost \$350m in financial support for the Hastings District the Crown requires Hastings to contribute an estimated \$50m towards the voluntary residential property purchase scheme
- This deal does not impact rates, but even with Crown investment Hastings will still have other significant costs to pay.



3. Next steps

- Decisions required tomorrow:
 - Consider Crown offer, agreement in principle
 - Consultation approach and timing
 - Delegate consultation document decisions to PAG
- Public announcement post GB meeting
- Public consultation and analysis of feedback
- Workshop buyout considerations and process
- GB decisions following consultation



Discussion

