

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

Confidential Extraordinary Governing Body Meeting

06 October 2023



The 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
Total	\$1,076 million	\$908 million	\$1,984 million

- Officers consider the package meets LGA tests and can be agreed to, noting risks around category 3 buy-outs



Financial impact

- Proposing use of debt for this year
- Long-term Plan to determine funding mechanisms:
 - 3.1% rates rise if relying on rates only
 - Other options would include deferral or reduction of other capital spending, sale of assets, service reductions



Category-3 buy-outs

- A policy-based approach:

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

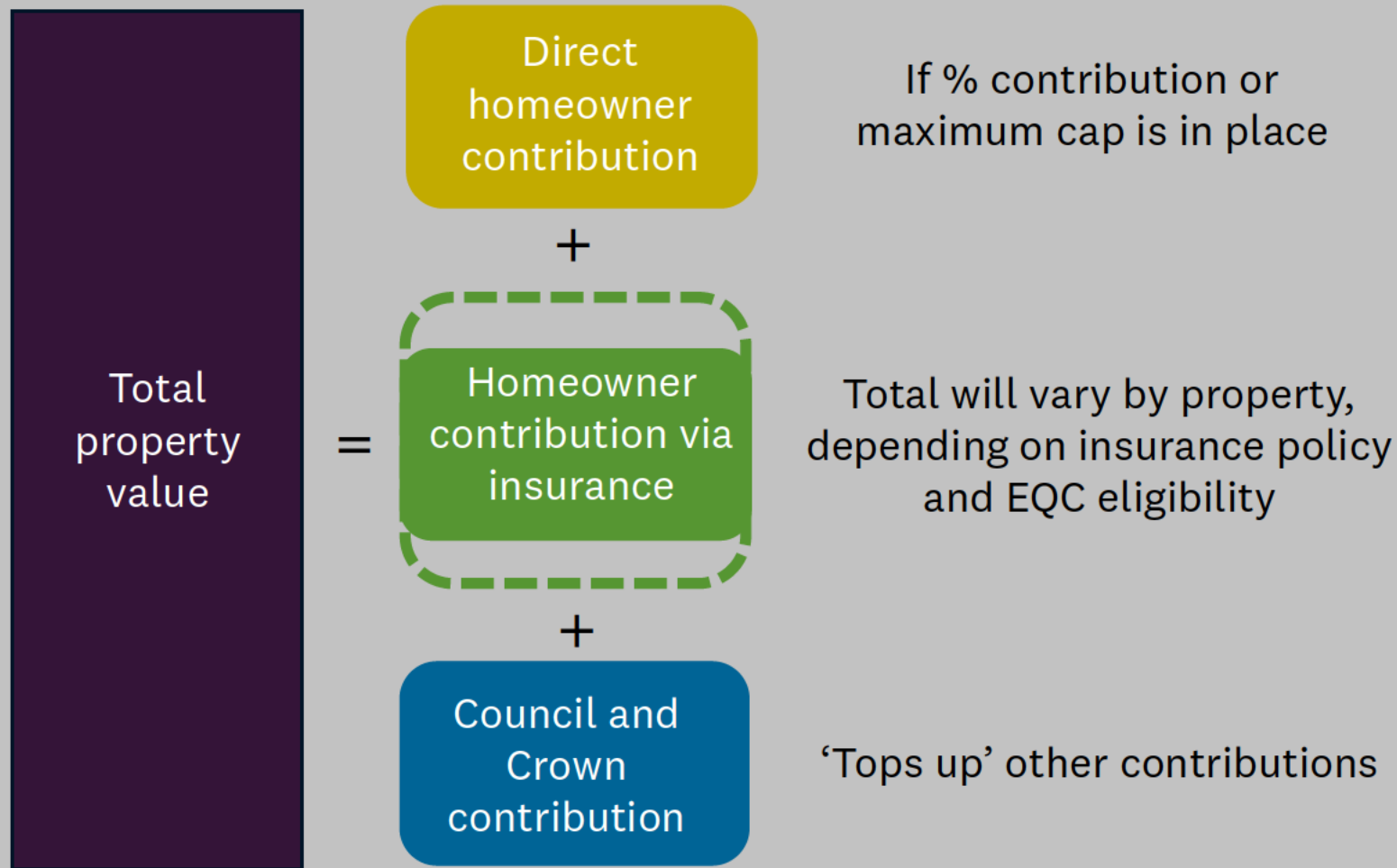


Category-3 buy-outs

- Auckland Council must set the rules of the scheme
- Budget of \$774 million
 - This is the current, certain budget
 - Anything beyond \$774m would need to be decided with government
- Determining an allocation within that budget
 - Achieving the intentions of the scheme
 - Balancing impacts for property owners and for ratepayers
- Working with limited information, including
 - Number, type, location and value of properties
 - Value of insurance



Contributions to Property Purchases



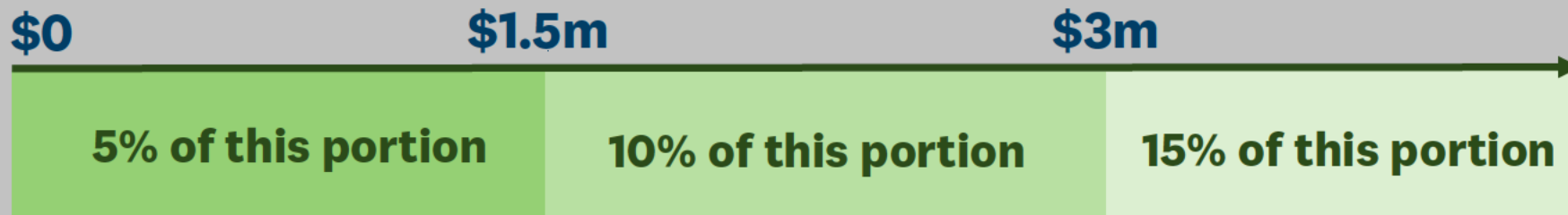
Two packages for consideration

Option	Option A (staff recommendation)	Option B (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)
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
Modelled total scheme cost	\$689 million	\$689 million



Homeowner contributions – sliding scale

Property value



A property worth...	would receive...	after a homeowner contribution of...
\$1 million	\$950,000	\$50,000
\$2 million	\$1,875,000	\$125,000
\$3 million	\$2,775,000	\$225,000
\$4 million	\$3,625,000	\$375,000

* Table is illustrative. Column 2 includes insurance and scheme contributions. It does not account for any differentiation for uninsured.



Policy basis for sliding scale

- Public feedback has signalled some expectations around a homeowner contribution
- Sliding scale more equitable than a flat rate homeowner contribution: there is less impact on the ability to purchase a new home at the higher end of scale
- Modelled to stay within the scheme budget so all impacted property-owners can access the scheme
- A balanced approach (effective, affordable, fair, equitable)



Legal Professional Privilege s 7(2)(g) LGOIMA



Updates to scheme terms

- Attachment C to the Confidential Report is a **working draft** of the Voluntary Buy-Out Scheme Terms and has been updated since the report was provided to you.
- It includes placeholders that reflect the matters still to be decided by Governing Body, including:
 - Valuation (date, and method such as desktop or registered valuer)
 - Secondary properties
 - Homeowner contribution
 - Treatment of the uninsured
 - Genuine effort required by vendors to claim EQC / insurance

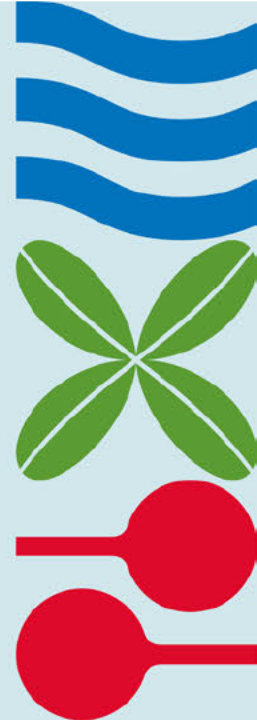


Process from here

- Funding agreement signed by Minister, Mayor and Deputy Mayor
- Communications to the public and impacted property-owners
- Enter into scheme with first category 3 properties end of Oct.
- Consideration of category 2P to come back to next Governing Body



Discussion



Comparison with Hawke's Bay

Option	Staff recommendation	Storm Recovery Political Advisory Group recommendation	Hawke's Bay Settings (as at 07/09/2023)
Valuation	Market valuation pre-events	Market valuation pre-events	Market valuation pre-events (13 Feb 2023)
Maximum buy-out payment cap	\$1.5 million maximum	No cap	No cap
Homeowner contribution	No homeowner contribution	Homeowner contribution from 5% (sliding scale)	No homeowner contribution
Insurance status	Do not take insurance status into account	Up to 20% contribution from uninsured properties, with provision for special circumstances	Do not take insurance status into account
Secondary properties	Exclude secondary properties	Include secondary properties	No mention of secondary property exclusion
Special circumstances	Include a process for special circumstances	Include a process for special circumstances	Include a process for special circumstances
Modelled total scheme cost	\$689 million	\$689 million	\$740 million

