

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

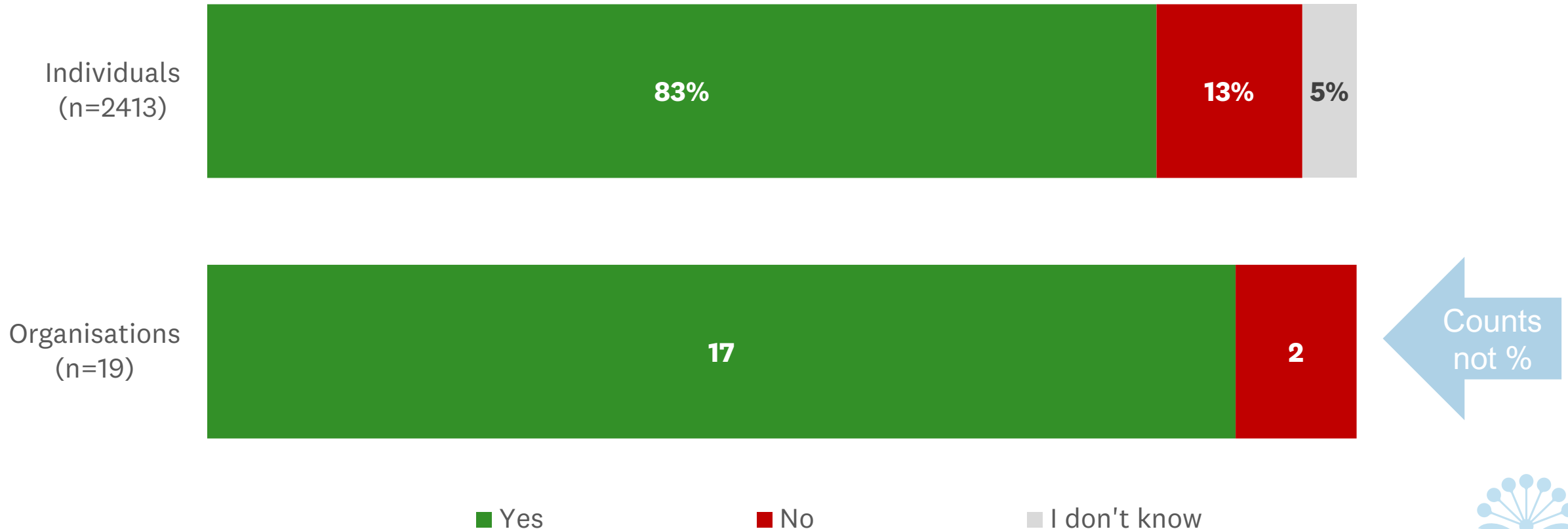


2,461 total submissions received, including 20 from organisations



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

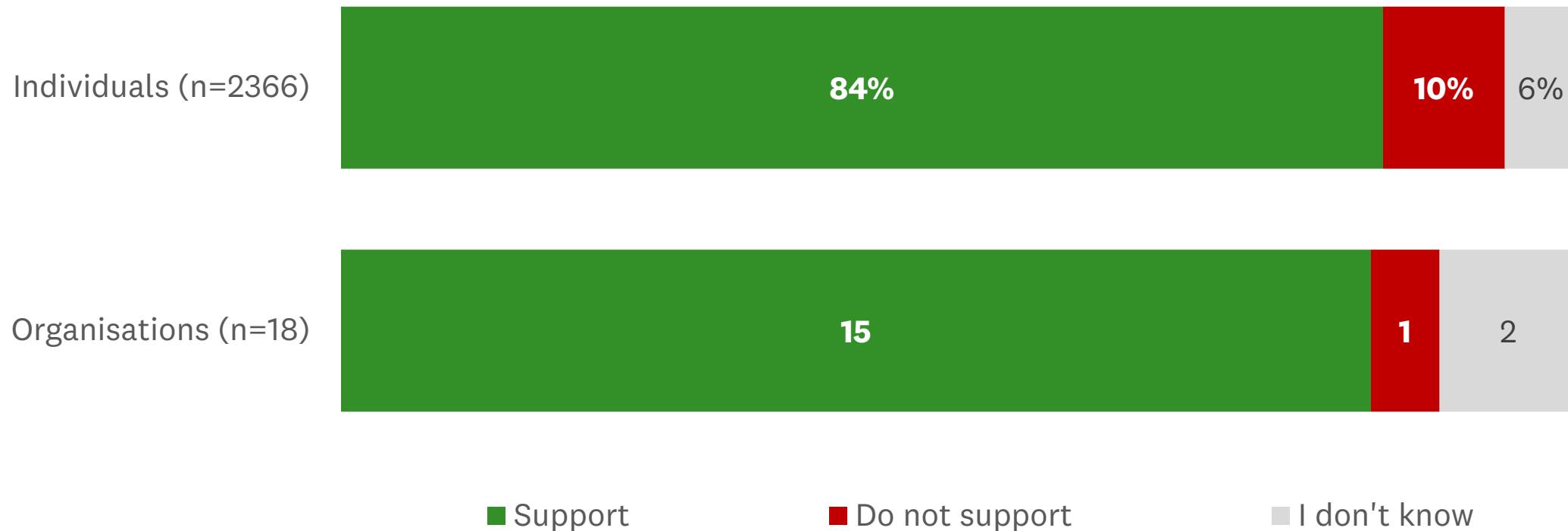


Eligibility: all house types vs primary residence



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?

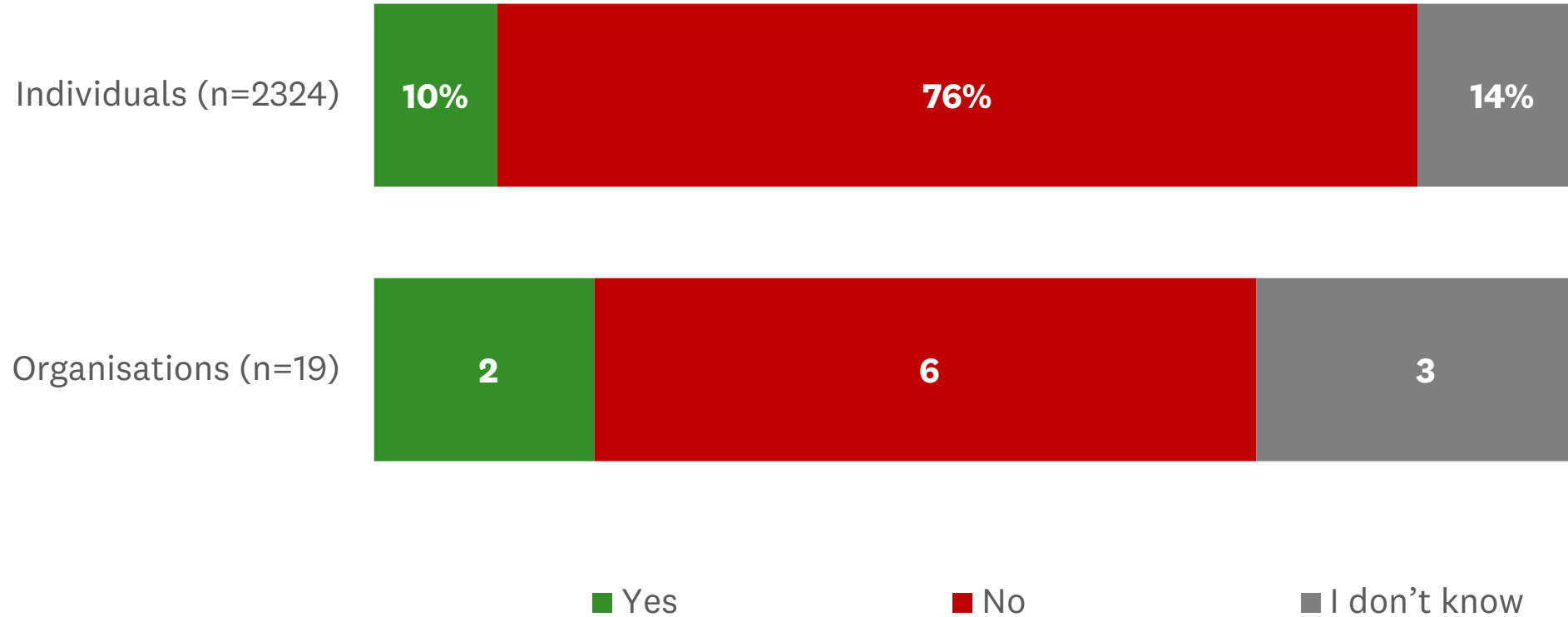


Counts not %



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?



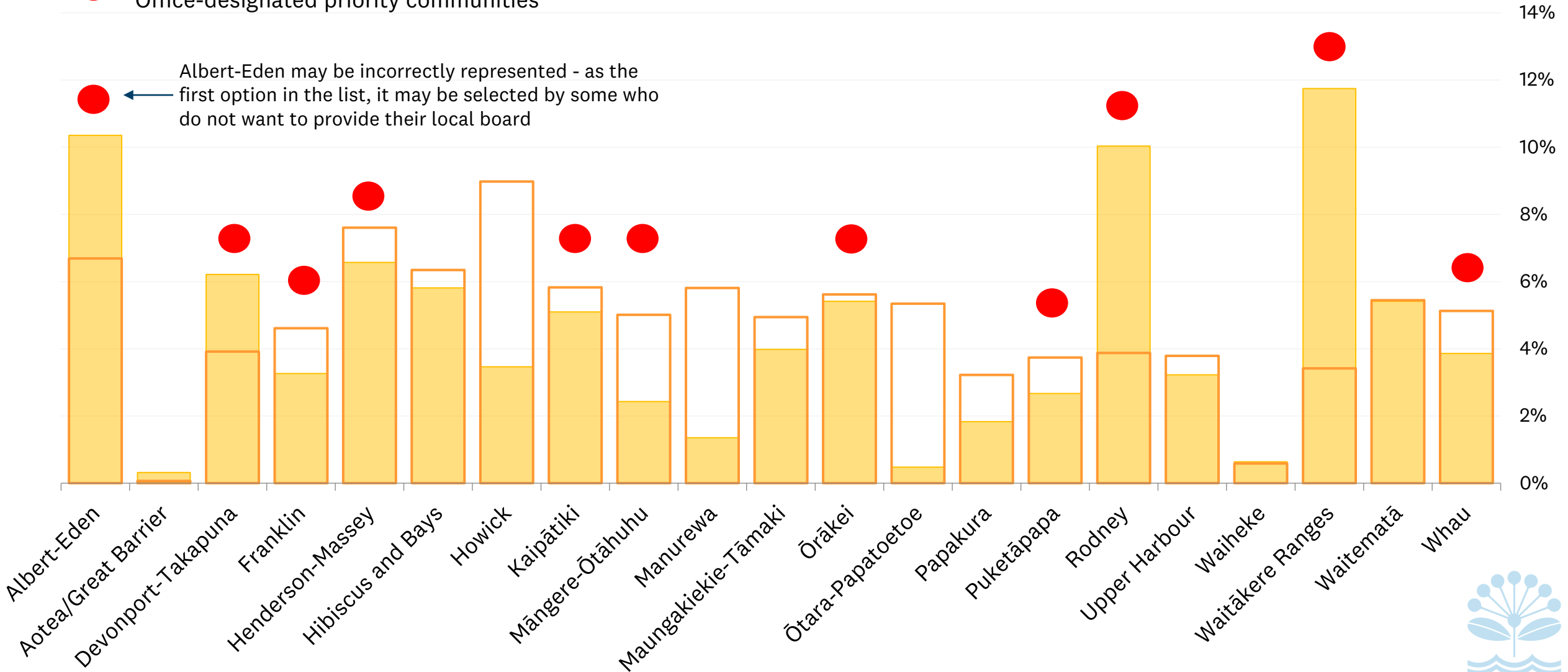
Counts
not %



The number of submissions varied widely between local boards

● Local Board Area includes Recovery Office-designated priority communities
 ■ % of total received
□ % of population

● ← Albert-Eden may be incorrectly represented - as the first option in the list, it may be selected by some who do not want to provide their local board



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)
- Open report
- Confidential report



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

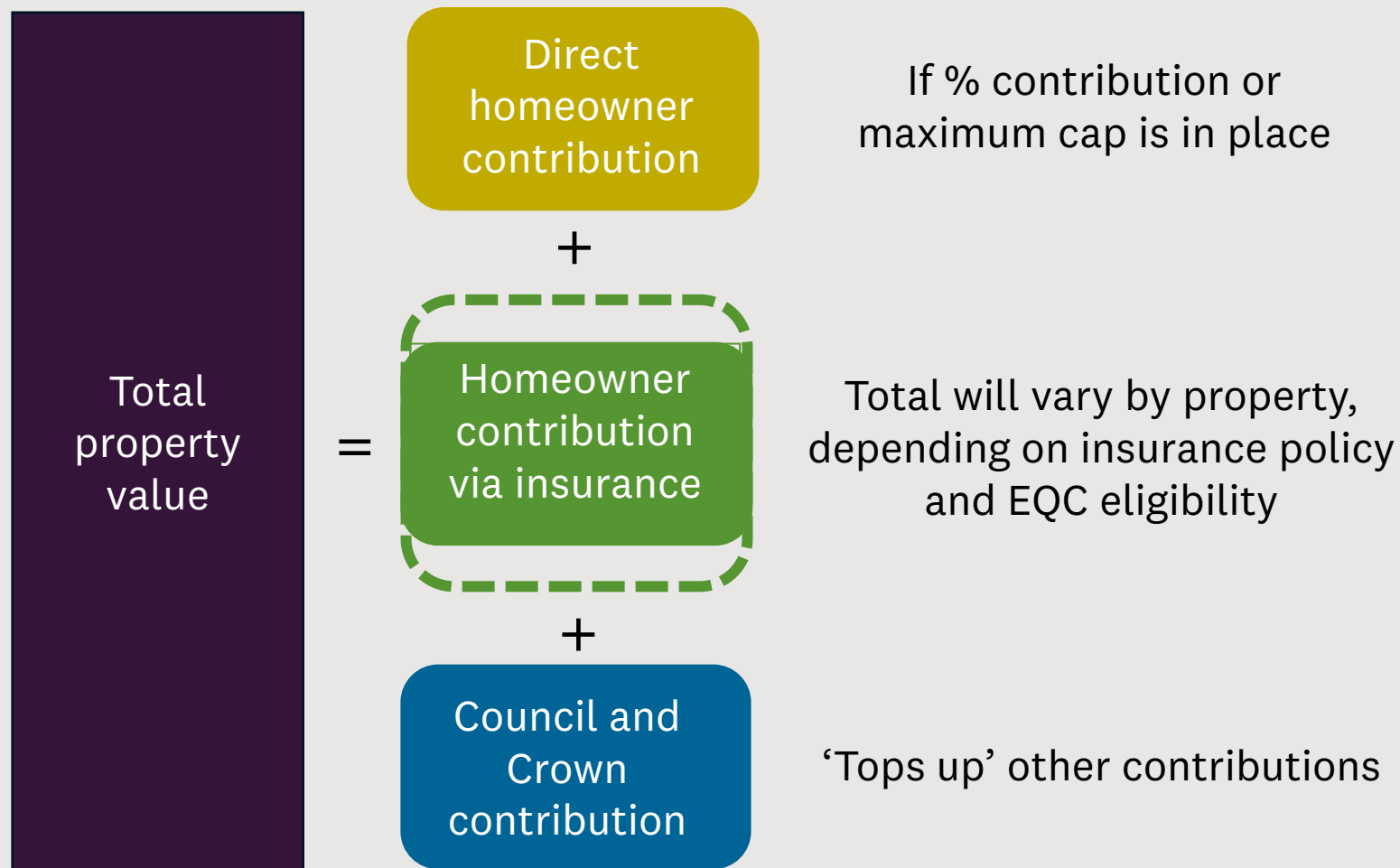


Voluntary Buy-out Support Scheme

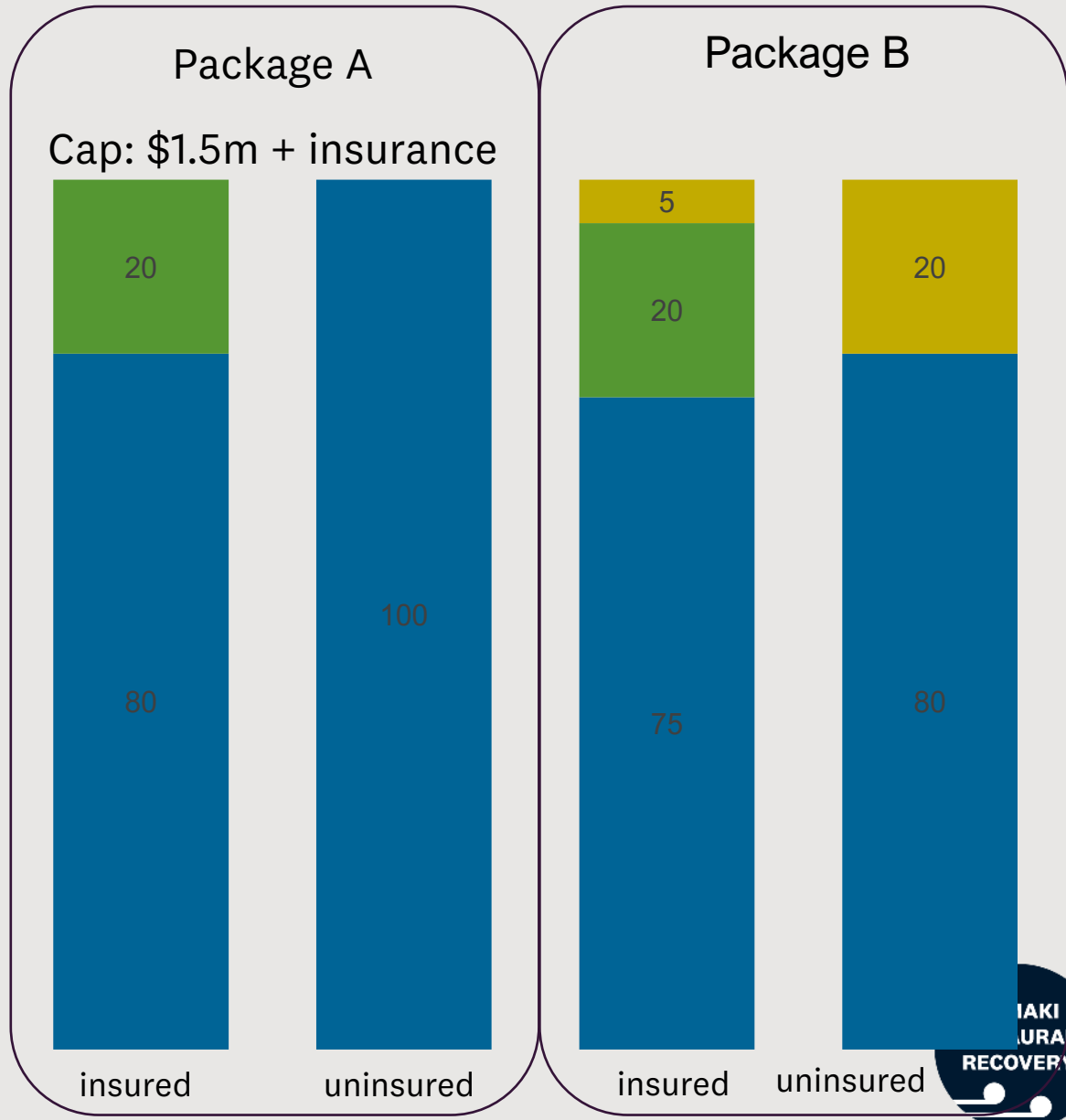
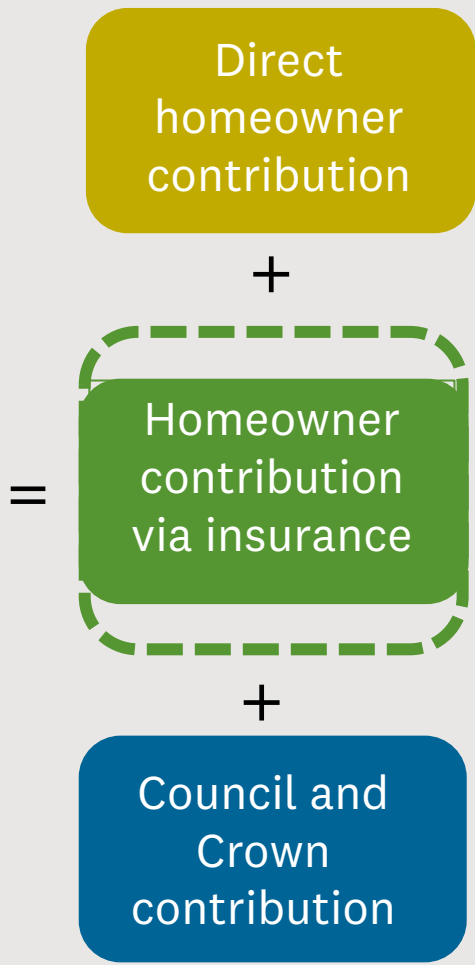
- Policy settings are the decision of Auckland Council
- Governing Body needs to agree settings for:
 - Approach to insurance status
 - Valuation method
 - Maximum level of buy-out support
 - Level of homeowner contribution
 - Approach to secondary properties
 - Consideration of special circumstances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



Contributions to Property Purchases



Total property value



■ Council/Crown ■ Homeowner via insurance ■ Homeowner - direct



Two Packages for Consideration

Option	Package A (staff recommendation)	Package B (Storm Recovery Political Advisory Group recommendation)
Valuation	Market valuation pre-events	Market valuation pre-events
Maximum buy-out payment cap (excl. insurance and EQC)	\$1.5 million maximum	No cap
Homeowner contribution	No homeowner contribution	5% homeowner contribution
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

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
Property value	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
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
Total received by homeowner	\$1m	\$1m	\$1m	\$950,000	\$950,000	\$800,000



Example B: \$2 million Property

	Staff package			Advisory group package		
	Damaged / insured	Undamaged / insured	Damaged / uninsured	Damaged / insured	Undamaged / insured	Damaged / uninsured
Property value	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
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
Total received by homeowner	\$1.9m	\$1.5m	\$1.5m	\$1.875m	\$1.875m	\$1.6m



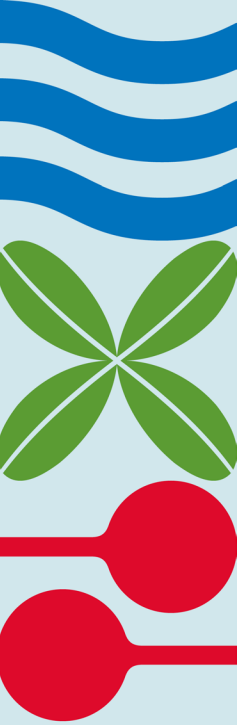
Example C: \$3.5 million Property

55	Staff package			Advisory group package		
	Damaged / insured	Undamaged / insured	Damaged / uninsured	Damaged / insured	Undamaged / insured	Damaged / uninsured
Property value	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
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
Total received by homeowner	\$2.2m	\$1.5m	\$1.5m	\$3.2m	\$3.2m	\$2.8m



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



Modelled Scheme Costs

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)
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



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



Discussion

