

# 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

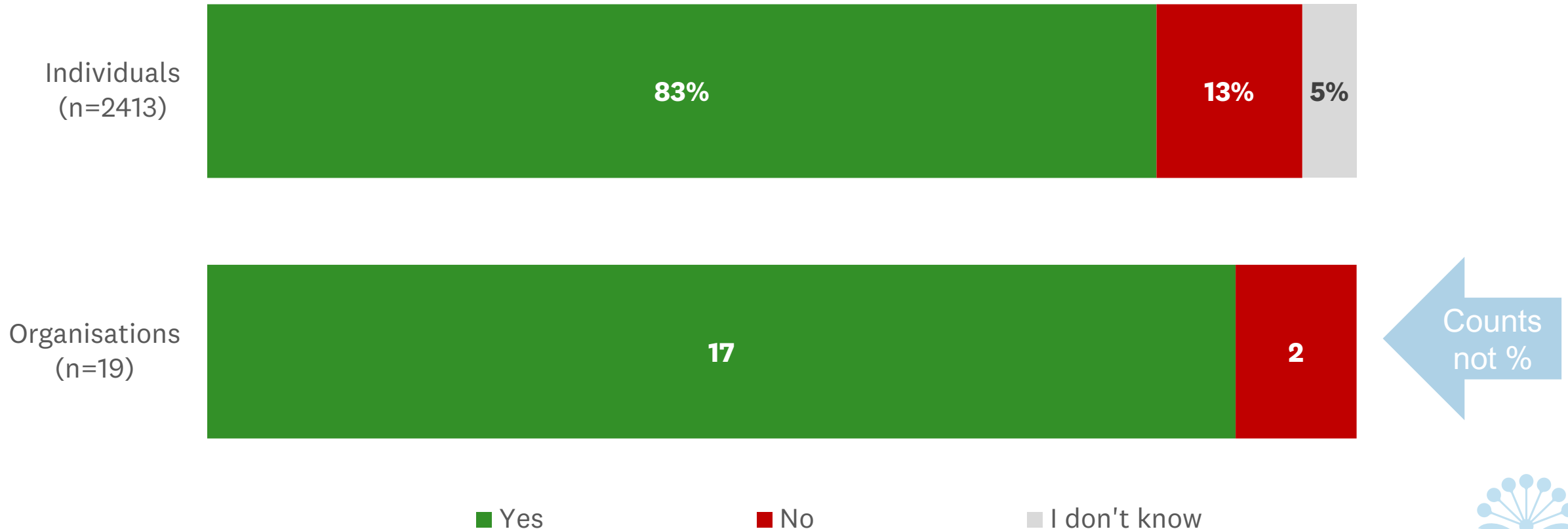


2,461 total submissions received, including 20 from organisations



# 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



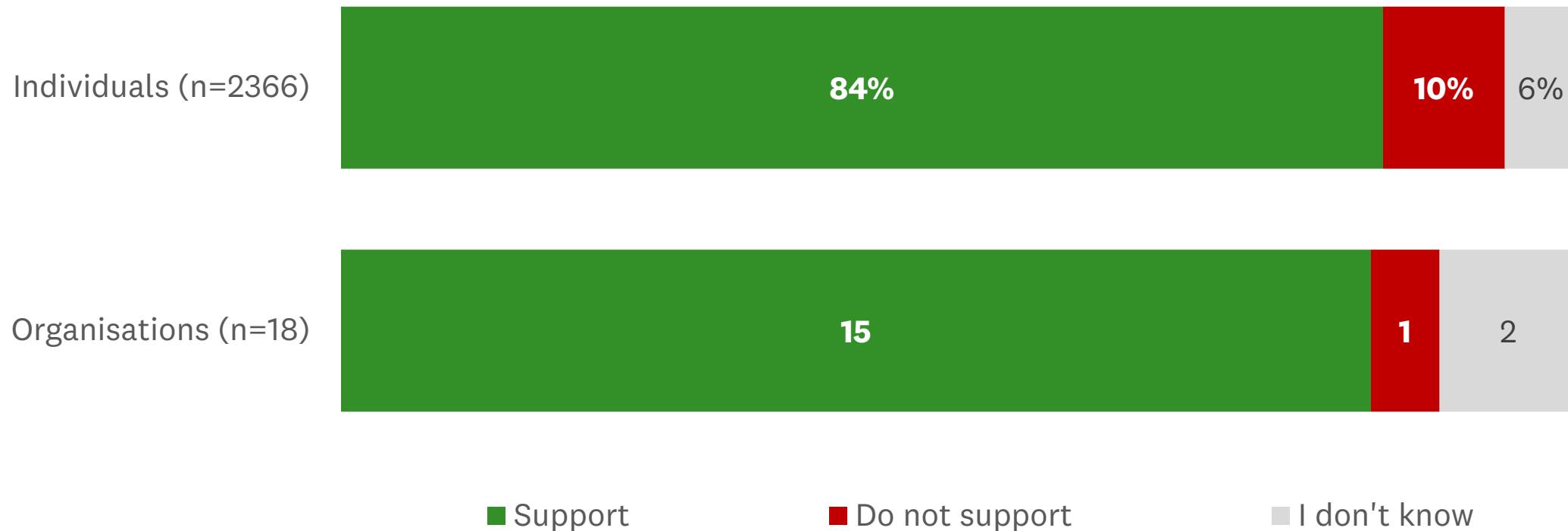
Eligibility: all  
house types vs  
primary  
residence





# 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?

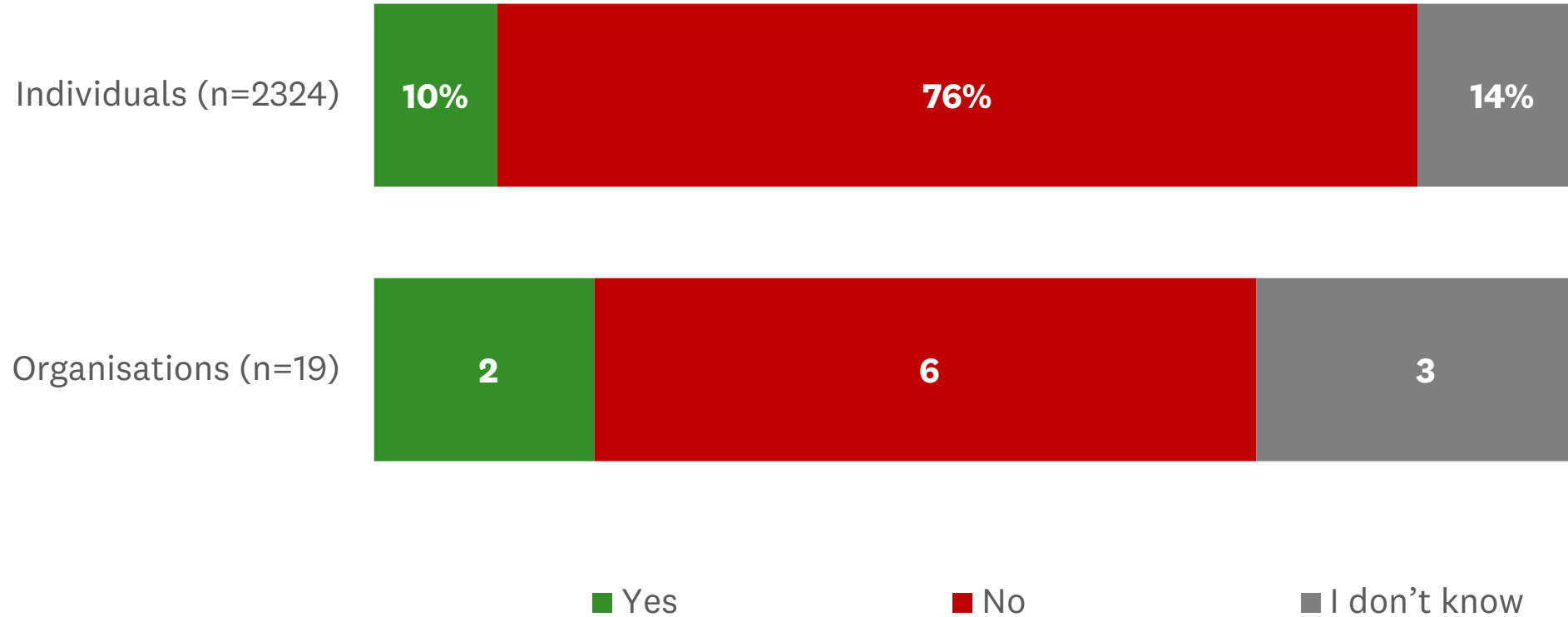


Counts not %



# 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?



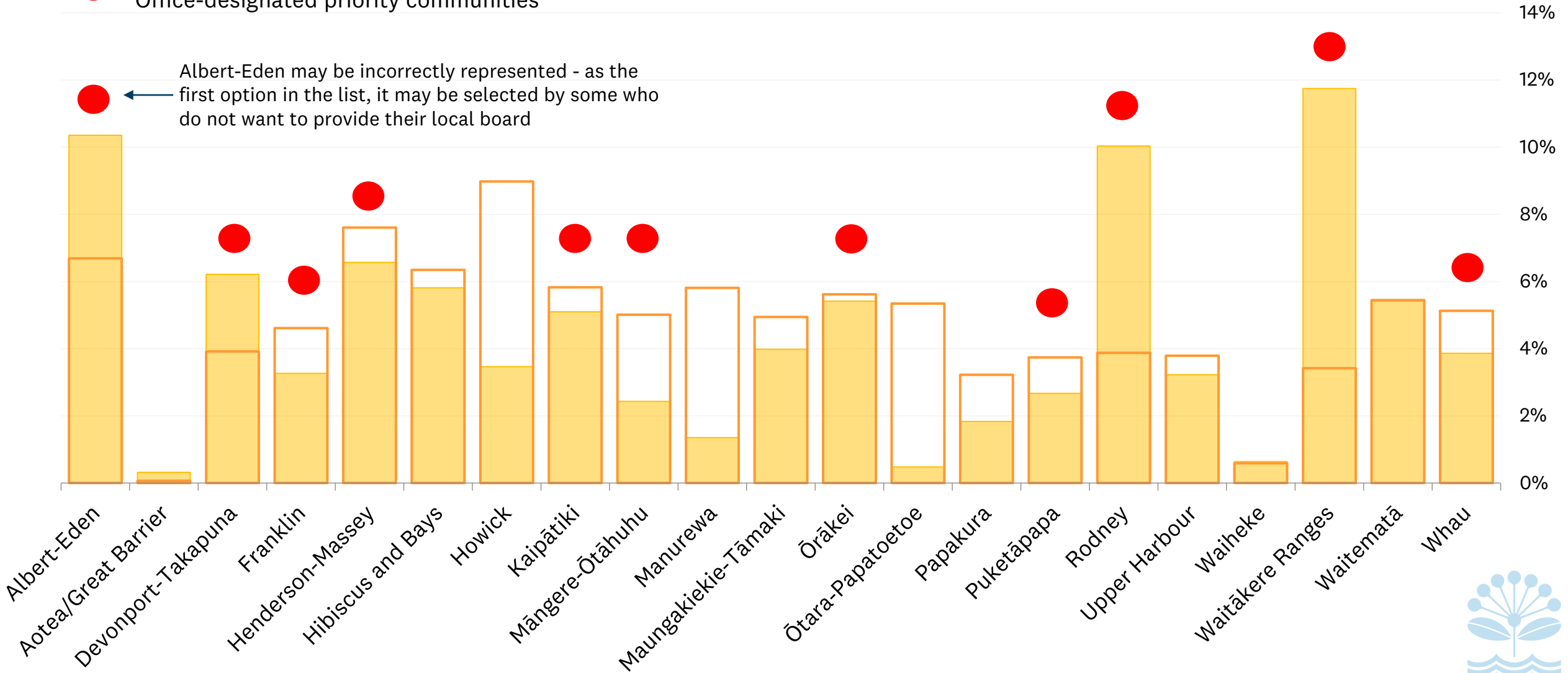
Counts  
not %



# 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



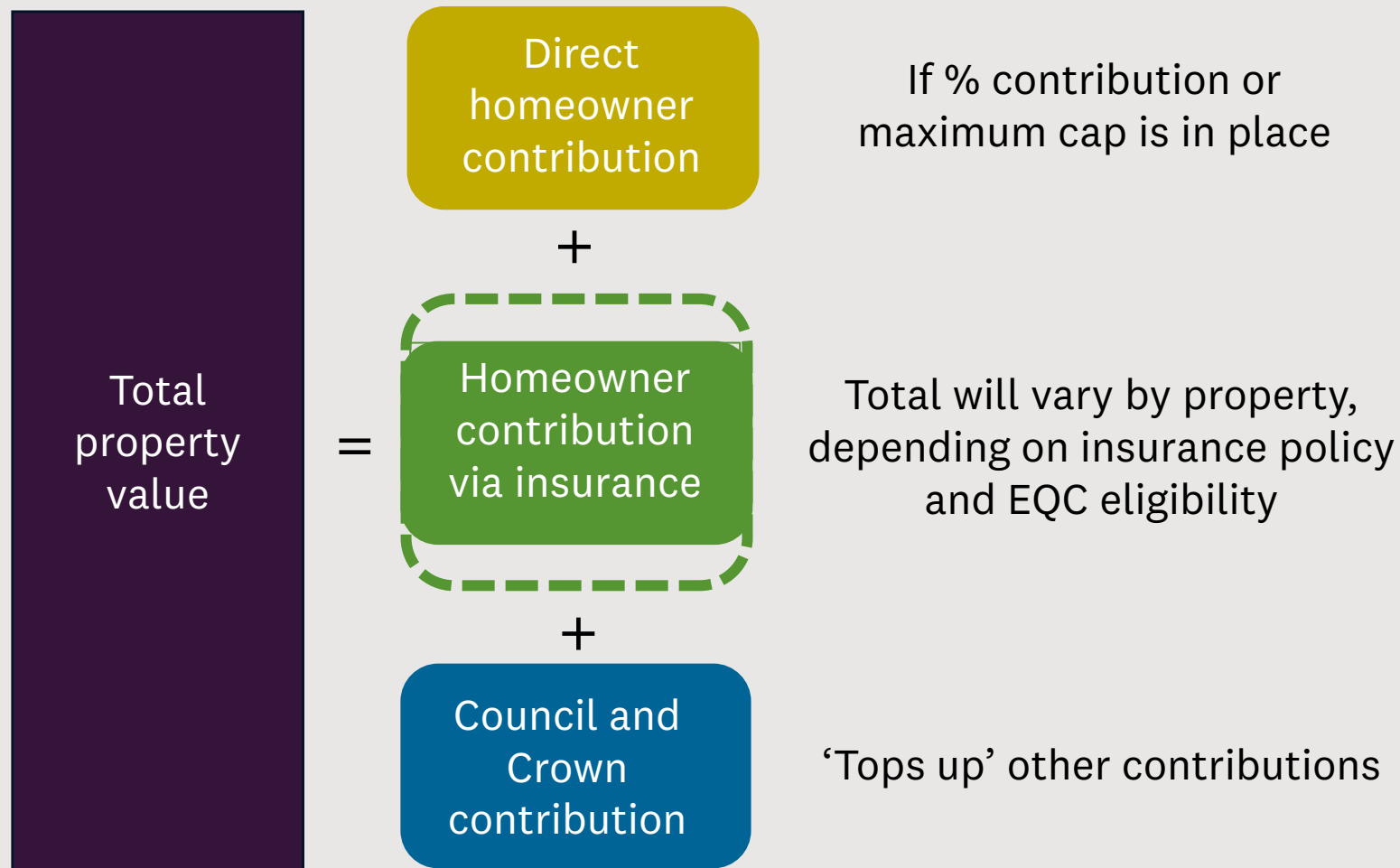
# Voluntary Buy-out Support Scheme

- 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

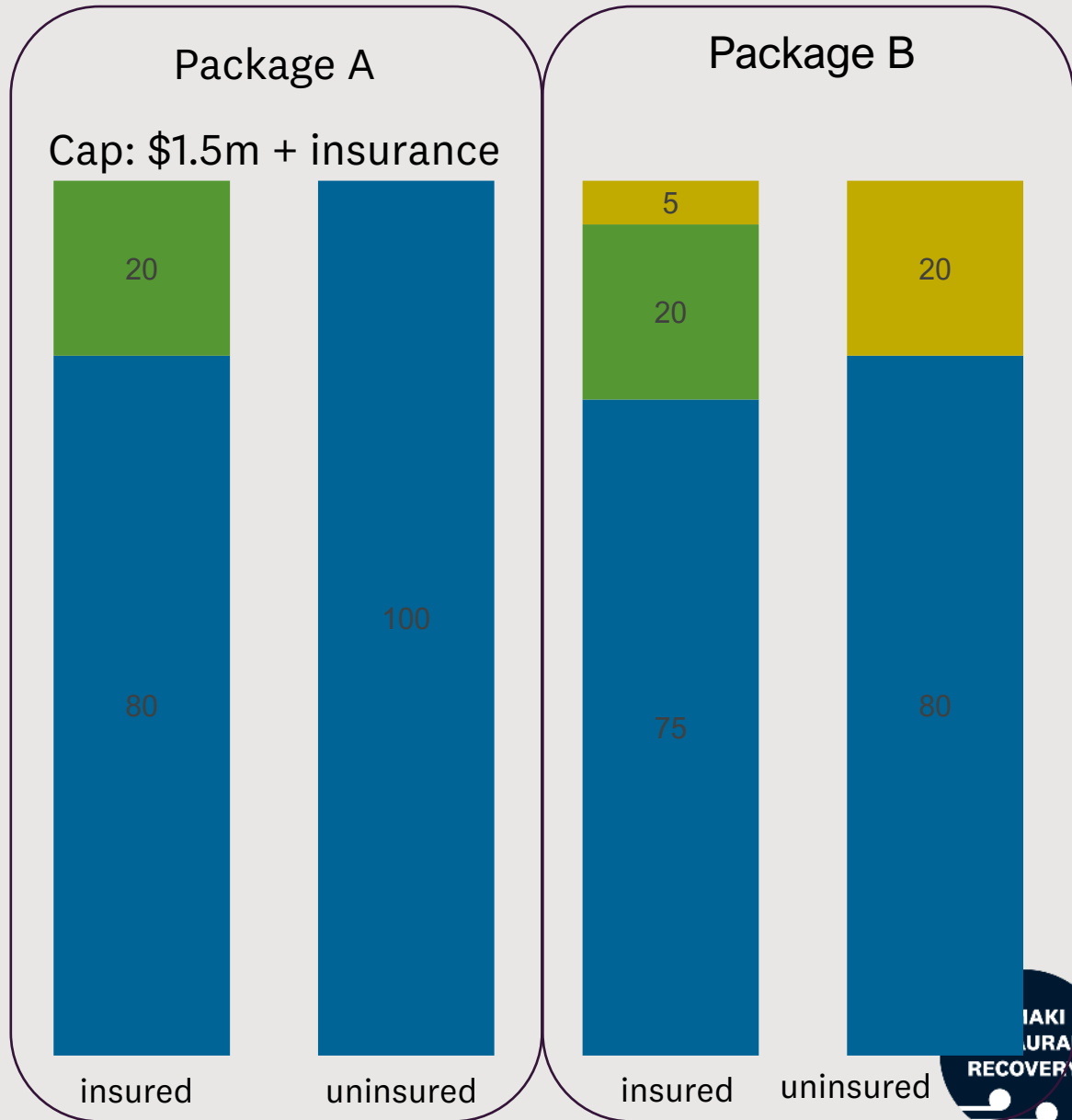
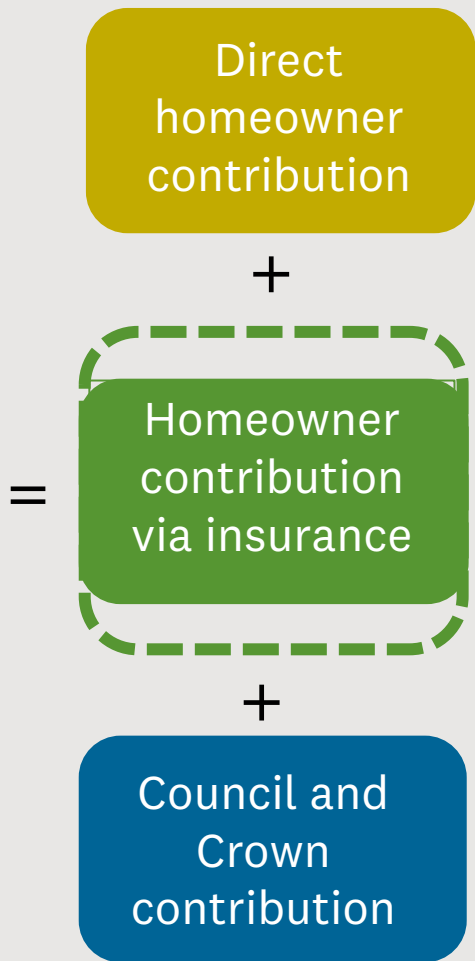




# Contributions to Property Purchases



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)
<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>



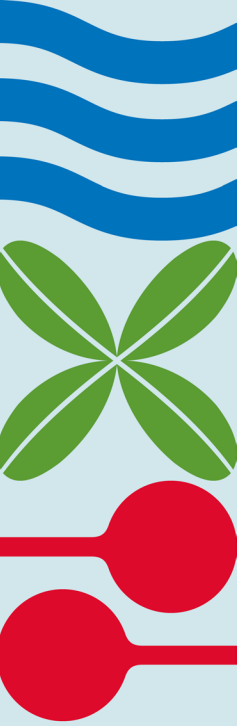
# Example C: \$3.5 million Property

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



# Discussion

