

# 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
<b>Total</b>	<b>\$1,076 million</b>	<b>\$908 million</b>	<b>\$1,984 million</b>

- 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

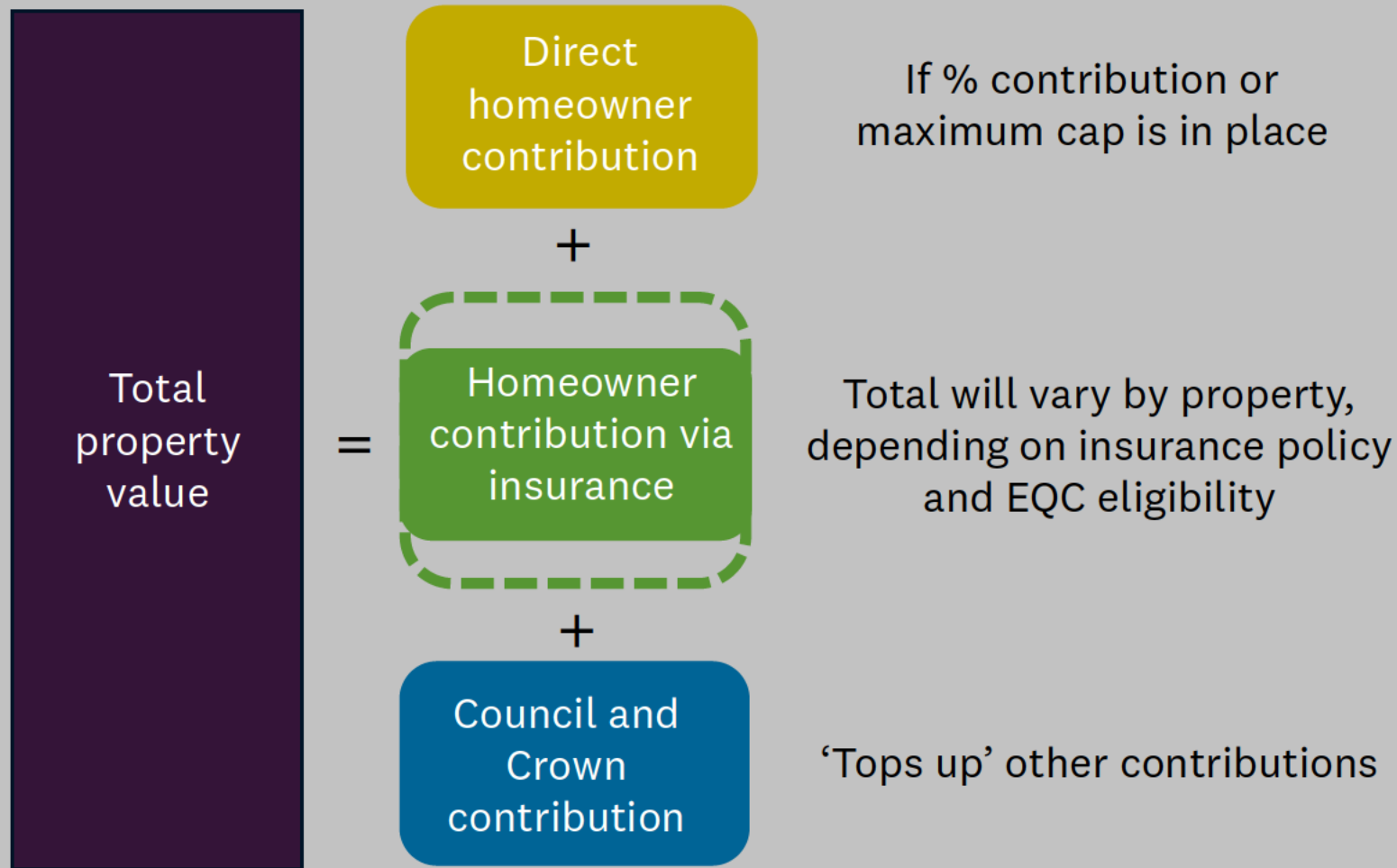


# Category-3 buy-outs

- 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



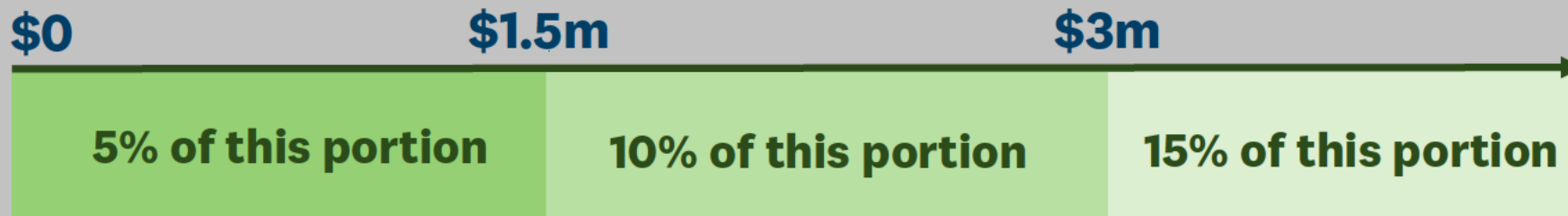
# Two packages for consideration

Option	Option A (staff recommendation)	Option B (Storm Recovery Political Advisory Group recommendation)
<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>



# 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

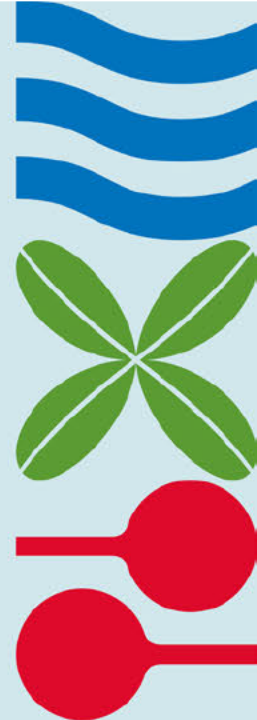


# Process from here

- 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)
<b>Valuation</b>	Market valuation pre-events	Market valuation pre-events	Market valuation pre-events (13 Feb 2023)
<b>Maximum buy-out payment cap</b>	\$1.5 million maximum	No cap	No cap
<b>Homeowner contribution</b>	No homeowner contribution	Homeowner contribution from 5% (sliding scale)	No 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	Do not take insurance status into account
<b>Secondary properties</b>	Exclude secondary properties	Include secondary properties	No mention of secondary property exclusion
<b>Special circumstances</b>	Include a process for 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>	<b>\$740 million</b>

