

The background image shows a paved road with a significant erosion gully that has formed in the center. The exposed soil is reddish-brown and uneven. On the left side of the road, there are lush green ferns and other vegetation. In the distance, two white cars are visible on the road. The overall scene suggests the aftermath of a storm or heavy rain.

**AK
HAVE
YOUR
SAY**

Te tuku pūtea ki te haumanutanga me te
manawaroa o Tāmaki Makaurau i te āwhā

Funding Auckland's storm recovery and resilience

Consultation document



This document outlines the proposed agreement for a \$2 billion storm recovery funding package, to be co-funded between central government and Auckland Council. The package includes transport network repairs, projects to reduce risks from natural hazards, and the purchase of 'category 3' properties that are not safe to live in because the risk from future flooding or landslips is intolerably high.

We encourage you to read the details of the package and have your say on how Auckland Council should proceed. The funding commitment in this proposed package is significant, so we need to understand Aucklanders' views before we can decide whether to agree to the funding package or not.

A series of extreme events

Severe weather events in January and February 2023 have had a devastating and lasting impact on many communities and thousands of individuals across Tāmaki Makaurau / Auckland. Flooding and land slips have damaged or destroyed thousands of homes and up-ended lives and communities. Essential lifeline infrastructure and facilities have been impacted and are in urgent need of repair. This includes roads, bridges, stormwater systems and community facilities.

Seven months on, many Aucklanders with impacted homes are still facing a challenging and uncertain future. We need to support these Aucklanders and improve the resilience of our infrastructure so that we are better prepared and can mitigate the impacts of severe weather events.



27 Jan – 1 Feb

Auckland Anniversary floods: record levels of rainfall (307mm) fell across the region.



13 – 14 Feb

Cyclone Gabrielle: over 300mm of rain, high winds and landslides.

Moving towards recovery

Auckland Council has worked with central government to secure a funding package that would enable people in the region to move forward with certainty, as quickly as possible.

To achieve all the outcomes of the package the government would provide just under \$1.1 billion of new and reprioritised existing funding, with the council investing around \$900 million.

This is the same "locally-led, centrally-supported" approach that has been taken with other regions affected by the January and February storm events, just at a larger scale. It is different from the Christchurch earthquake recovery, where central government funded all the purchase of properties.

As a locally-led effort, Auckland Council is expected to take the lead on the design and implementation of any package. This means we have a number of detailed decisions to make as part of our main decision whether to proceed with the co-funded package.

Key points

- Auckland's recovery from the severe weather events of early 2023 is going to require significant investment in infrastructure and hazard management.
- The proposed funding package would support us to repair damaged roads and other infrastructure, reduce the risk of future floods, and offer assistance to people needing to get out of housing situations that pose an intolerable risk to life.
- Central government is offering to commit \$1.1 billion in funding, with the council investing \$900 million.
- The government funding is offered as a package and requires the full co-investment from Auckland Council to realise the programme funding share.
- If we accept the package, we will be responsible for implementing the programme and buying out the 'category 3' homes as well as carrying out our existing roles in transport and stormwater management.

The decision we need to make now

We have two options to consider: to accept the proposed storm recovery funding package, or to reject it.

Option 1. Accept the funding package

If we accept the funding package:

- We will receive additional government funding to accelerate our efforts to increase the resilience of our infrastructure.
- We can get on with making improvements that would otherwise take decades to achieve.
- We can offer a process forward for category 3 property owners.
- We will need to find extra revenue to meet the council funding commitment.

Option 2. Decline the funding package

If we don't proceed with the funding package:

- We won't receive all the proposed funding from central government, although we could still anticipate receiving some of the transport funding in the normal way, and could apply to the National Resilience Plan for further funding without a guarantee of our applications being successful.
- We will still need to fund the necessary infrastructure improvements and may need to take longer to do this using the available council funding methods.
- We won't be in a position to buy out category 3 homes: some property owners would face severe hardship and people would remain at risk.

Urgency to act

Moving forward with the funding package would be a significant step in the recovery process.

We acknowledge that recovery is not happening as quickly as affected communities would like. There is a difficult balance between moving quickly and moving accurately, especially with so many thousands of potentially affected homes needing individual technical assessments. It's important that everyone can have confidence in the information and evidence available so that we can make robust, defensible and enduring decisions.

We also need to balance the needs of impacted homeowners with the needs of the wider community and consider the affordability and hazard management impacts for all Aucklanders.

There is no established process for recovering from such significant events in Auckland. The council has rapidly developed systems for technical assessments and social support, but we understand the desire of affected communities for us to do as much as we can, as quickly as we can.



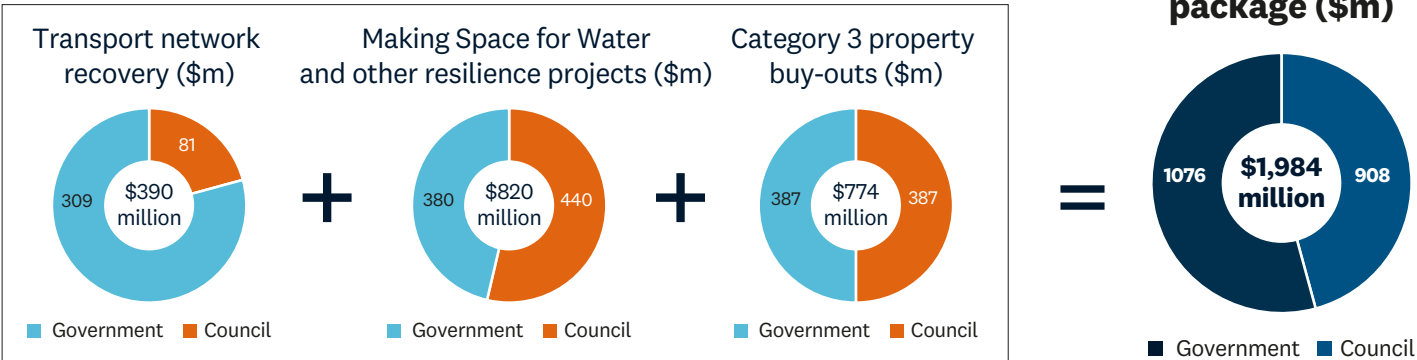
Responding for now and planning for a better approach in future

The response that is being proposed in this funding package is a one-off, made necessary by the urgent and extraordinary scale of events.

As climate change increases the risk of severe weather events, Auckland Council will not be in a position to continue to buy out other flood- and slip-affected homes. We are working to improve public awareness of hazards, so that Aucklanders are better able to manage their risks. We are also reviewing our approach to the planning and development of homes in areas with natural hazards, however the impact of this is confined largely to new development, and doesn't address the legacy of thousands of homes that are already built in higher-risk areas. We are strongly advocating to central government to establish a national scheme to support recovery from future events, and to put in place better processes for managed retreat in advance of disaster.

The proposed funding package

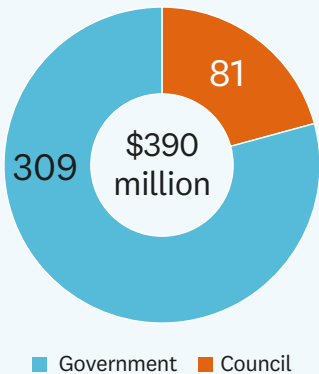
The proposed funding package includes just under \$2 billion of investment in storm recovery efforts for three key activities.



Transport network recovery

Auckland Council is projecting that \$390 million will be needed to make repairs to roads and bridges that were damaged by the severe weather. This includes the Mill Flat Road bridge, access to Karekare and Piha, and a number of roads in the west, the north and on Aotea / Great Barrier Island that were significantly damaged. The funding would ensure that repairs can be undertaken with greater certainty.

Transport network recovery (\$m)

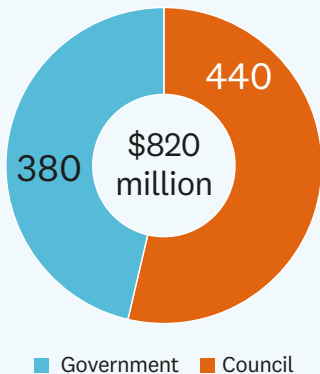


Making space for water and other resilience projects

A critical part of recovery is making sure we are better prepared for future severe weather. Improving resilience is essential to provide security for those who will continue to live in hazard-prone areas. This includes the flood risk management projects such as those that we have outlined in the Making Space for Water programme that we consulted on last month. This programme would allow us to create new ‘blue-green networks’ in areas with critical flood risks, and to rehabilitate streams so that they are more resilient to floods. We would be able to increase our stormwater maintenance and overland flow path management.

This portion of the funding package could also be used for other resilience projects, such as community based geotechnical projects where risks can be mitigated. Importantly, the funding package would allow us to move more quickly with our efforts to build resilience.

Making Space for Water and other resilience projects (\$m)



Category 3 property buy-outs

The proposed funding package would provide up to \$774 million to buy ‘category 3’ homes and allow people affected by the January and February severe weather events to move on with their lives. The funding for this would be split evenly between Auckland Council and central government.

The \$774 million is based on current estimates of around 700 homes to be included in this category. If this maximum amount is exceeded, central government and the council have agreed to work together in good faith to decide next steps.

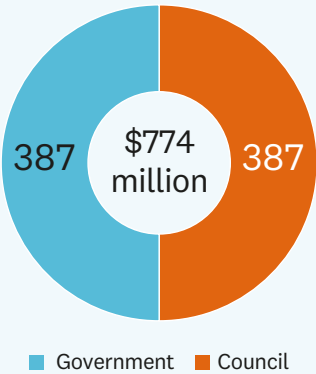
Auckland Council would need to administer the buy-out process from start to finish, including the purchase and removal of homes, and the ongoing management of the land. We know that there would be extra costs that wouldn’t be fully co-funded through the proposed funding package, including the costs of demolishing buildings, and any costs arising from the ongoing management of the land. We will also need to consider how we best make use of the newly acquired land, for example public parks and blue-green networks.

We need to make some decisions about how the buy-out process would work, including the price we pay for category 3 houses, how this works with insurance, and any conditions (e.g. price caps or exclusions) that might need to be put in place.

Given the complexity of the task, we are proposing to take an approach where we work towards decisions that are simple, fair, cost-effective, timely, and give certainty to affected Aucklanders.



Category 3 property buy-outs (\$m)



What do the categories mean?

The government has proposed a category system to describe the risks to flooded and slip-impacted properties. It has been left to councils to develop the details of categorisation for their own regions.

3 Category 3 – homes in Category 3 are not safe to live in because the risk from future flooding or landslips is intolerably high.

Options to reduce this risk at a property or community level are not available or affordable. Homes in these areas should not be rebuilt or remain on their current sites.

2 Category 2 – homes in Category 2 are not safe to live in because the risk from future flooding or landslips is intolerably high.

For Category 2 properties, interventions to reduce the risk to a tolerable level are possible and affordable, either at community (2C) or property (2P) level.

1 Category 1 – the risk associated with Category 1 properties is considered tolerable, and repair is all that is required to manage risk of future severe weather events.

Under the proposed funding package, only category 3 homes would be eligible for voluntary buy-out. Final categorisation is subject to technical assessment including an assessment of risk mitigation options.

The key difference between Category 2 and 3 is the ability to mitigate or reduce risks to a tolerable level in an affordable way. This requires Auckland Council to complete an assessment of each individual property and look at what is possible, and it will not always be clear cut.

Auckland Council have been contacting property owners since June and have begun the technical assessments for storm-affected houses. Subject to this funding package being approved, we expect to be in a position to begin conversations with confirmed category 3 homeowners by the end of October 2023. For some properties, we will need to take more time to evaluate whether the risk to the property can be mitigated in a way that is safe and economically viable. This is a complex process, and we want to make sure we make good decisions based on robust information.

Category 2 properties

Properties that are identified as being category 2 can be made safe with interventions at the community or property-level. These properties will not be eligible for voluntary buy-outs. We will know more about what is necessary and possible for category 2 properties as we complete the technical assessments. We also need to consider the cost and long-term effectiveness of the work, and how it is paid for.

Some community-scale solutions can be funded as risk mitigation projects proposed in this funding package, such as upgrades to stormwater and drainage systems and geotechnical mitigations.

The Crown is leading engagement in relation to any recovery on whenua Māori.

Central government's co-funding conditions for Category 3 properties are that they must be:

- residential
- impacted by the severe weather events of January and February 2023
- subject to ongoing intolerable risk to life, and
- without an economic way to mitigate the risk.



Financial implications for Auckland Council

Auckland’s recovery from the severe weather events of early 2023 is going to require significant investment, with or without central government co-funding. The proposed package increases the total investment into Auckland, with over \$1 billion in new and reprioritised central government funding.

Significant funding from Auckland Council would still be required to deliver on the activities described in this package.

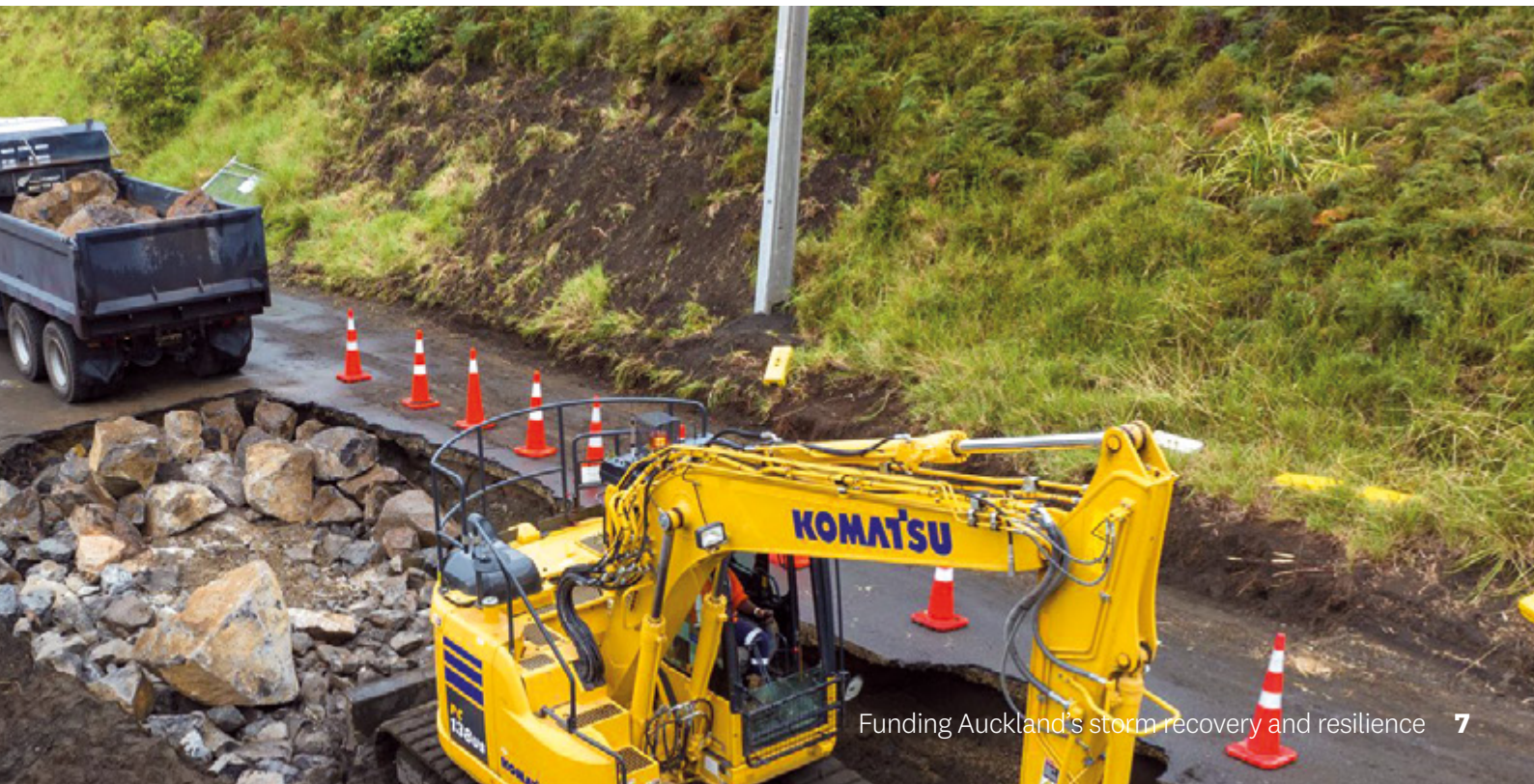
	Central government funding	Auckland Council funding	Total
Transport network recovery	\$309 million	\$81 million	\$390 million
Risk reduction programmes	\$380 million	\$440 million	\$820 million
Category 3 home buy-outs	\$387 million	\$387 million	\$774 million
Total	\$1,076 million	\$908 million	\$1,984 million

If we agree to proceed with the funding package, we would initially use borrowing to fund Auckland’s share of the proposal, until we can make more considered funding decisions in the next long-term plan. This is due to be consulted on in early 2024. Using borrowing in the short term would mean we could get the infrastructure repairs and the category 3 buy-out process moving quickly.

Based on initial timing projections the additional council debt required is likely to peak at \$650 million. This would increase the debt-to-revenue ratio by 7 – 9 per cent over the next five to seven years, remaining within current debt limits.

The council has a number of options to fund the proposed package in the long-term plan, including reducing or deferring other capital spending, sale of assets, service reductions, and rates. These decisions may also be impacted by the outcomes of the government’s water reform process.

If the council were to proceed with the full proposed programme and fund it using only rates, then this would require an additional rates increase equivalent to 3.1 per cent of general rates, which could be phased in over two years. Any rates increase would be on top of other significant budget pressures the council is facing. Current indications suggest overall rates increases of over 10 per cent for 2024/2025 for residential ratepayers, if cost reductions or funding sources are not found.





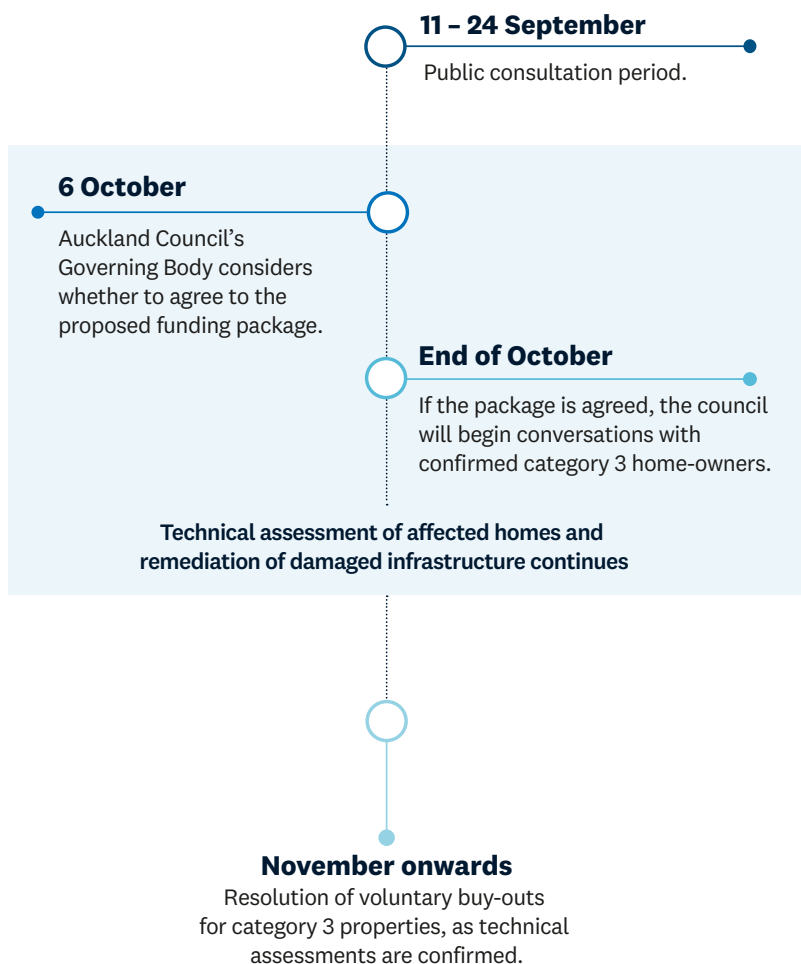
Methodology of buy-outs

If we go ahead with the funding package, the details of the purchase methodology for category 3 properties would need to be determined, and would have a strong influence on how simple, fair, cost-effective and timely our process could be, and how much certainty we could offer affected homeowners.

Some of the policy details we need to consider include:

- **How we define category 3 residential properties.** We need to consider whether we should make different provisions for holiday homes and rentals that are assessed as being in category 3, compared to primary residences. We will not be purchasing non-residential properties.
- **How we set the buy-out price.** If our starting point is to take a ‘fair value’ approach, we need to decide how we assess that. Using capital value (the valuation that helps us to assess rates bills) would be the quickest option but wouldn’t necessarily reflect the true market value of every individual house. Establishing market value would be a much slower option: it could delay the process and would add further administrative costs. We could adopt a hybrid approach that gets most of the money to homeowners sooner and allows the balance to be resolved through valuation. Other alternatives would be to offer a fixed sum to all category 3 homeowners or establish a sliding scale of payment based on hardship.
- **The size of owner contributions.** Like all investments, property ownership carries risks. Aucklanders, through Auckland Council, do not guarantee owners against loss. Auckland Council will need to consider whether to offer 100% of the value of the property, or a lesser amount, provided we can meet our objective of removing people from situations of intolerable risk. This could take the form of a cap on buy-out offers above a certain amount.
- **What we do about insurance settlements, and uninsured and underinsured properties.** Government and council contributions are intended to ‘top up’ rather than replace any amounts received through private insurance or EQC (Earthquake Commission). We still need to decide how this would work in practice. We also need to determine a fair outcome both for homeowners and for the Aucklanders who will have to fund buy-outs. This will mean we need to consider if Aucklanders who had no insurance or limited insurance should receive more, less or the same as other category 3 homeowners.

What happens next



The Tāmaki Makaurau Recovery Plan will outline the priorities for regional and local recovery activities. The regional section of the plan will be finalised in October, with local recovery chapters to follow. The plan has four whenu (strands) on community and social recovery, Māori participation and partnership, natural and built environment, and economic recovery. We consulted on this plan in August and are currently analysing the feedback to inform the final content of the Plan.

What we're asking in this consultation

We want to know what you think about the proposed funding package: do you support the council signing up?

If we do go ahead with the funding package, what issues are most important for us to prioritise in the implementation process? How should we go about purchasing category 3 properties?

How to have your say

This consultation is open for only two weeks, from 11 September to 24 September. This is an unusually tight timeframe because we need to provide certainty to affected communities as quickly as we can.

To have your say you can:

- visit akhaveyoursay.nz/recoveryfunding
- email stormrecoveryconsultation@aucklandcouncil.govt.nz
- visit your service centre or library

Further information is available at ourauckland.aucklandcouncil.govt.nz/recovery/





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