



# Cabinet

CAB Min (11) 41/24

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## Minute of Decision

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### Canterbury Earthquake Recovery: Decisions on Remaining Canterbury Orange Zones

Portfolio: Canterbury Earthquake Recovery

On 14 November 2011, Cabinet:

#### Background

- 1 noted that on 23 June 2011, the Prime Minister and the Minister for Canterbury Earthquake Recovery announced four land damage zones for greater Christchurch;
- 2 noted that properties were zoned Orange on the basis that area-wide damage had been suffered but further work was required to assess the options to repair the land and rebuild in these areas;
- 3 noted that, following recent zoning announcements on 28 October 2011, an estimated 1,666 residential properties remain in Orange zones;
- 4 noted that in September 2011, Cabinet authorised a group of Ministers, comprising the Minister of Finance, the Minister for Canterbury Earthquake Recovery, and the Associate Minister of Finance (Hon Steven Joyce) to have Power to Act until 25 February 2012 to take decisions on classifying the Orange Zone areas [CAB Min (11) 34/19];

#### Areas which can be zoned Green on the basis that individual solutions are possible

- 5 noted that a key principle underpinning previous Green zone decisions is that land damage can be repaired on an individual basis as part of the normal insurance process;
- 6 noted that further geotechnical investigation of the Orange zones has revealed that properties in a number of the Orange areas can be repaired on an individual basis;
- 7 agreed that 475 of the remaining Orange zone properties, as indicated in the Appendix to this minute, be rezoned Green on the basis that the best available information indicates individual land remediation solutions are possible;
- 8 noted that most of the properties to be rezoned Green under paragraph 7 will be in Technical Category 3, and will therefore require site-specific geotechnical investigation where a building consent is required for foundation repairing or rebuilding, and will likely face higher costs of rebuilding associated with land strengthening and/or enhanced foundation requirements;

- 9 noted that a number of specific areas to be Green zoned may benefit from coordinated land works, especially along waterways (e.g. where slumping has occurred);
- 10 noted that in two areas proposed for rezoning, Kaiapoi West 2 and Parklands, individual land and property repairs are feasible provided there are suitable repairs to nearby drainage channels which have caused localised lateral spreading;
- 11 noted that officials have held discussions with staff of Waimakariri District Council and Christchurch City Council, who have indicated the readiness of each council to undertake the repairs referred to in paragraph 10 above;

#### Other areas

- 12 noted that in some of the remaining Orange areas (Southshore West, Richmond South, part of Central City – River South, and part of Linwood) engineering advice indicates that area-wide land remediation is the only practical option for returning some or all of the land to a buildable state;
- 13 noted that, unlike the Red Zones, land remediation in Southshore West, Richmond South, part of Central City – River South and part of Linwood is assessed as being cost-effective and practical over the short-to-medium term, with a level of disruption that is not considered unreasonable;
- 14 noted that the Minister for Canterbury Earthquake Recovery is awaiting advice from officials on a possible process for area-wide land remediation in parts of Southshore West, Richmond South, part of Central City – River South and part of Linwood;
- 15 noted that the Minister for Canterbury Earthquake Recovery is awaiting advice from officials on the cost and impacts of area-wide land remediation in parts of Avonside and Wainoni;
- 16 noted that decisions on the rezoning of the remaining Orange Zones referred to in paragraphs 14 and 15 above can be made by Ministers with Power to Act until 25 February 2012;
- 17 noted that the Minister for Canterbury Earthquake Recovery has directed the Canterbury Earthquake Recovery Authority (CERA) to hold exploratory discussions with Christchurch City Council, Environment Canterbury and EQC on options for undertaking area-wide land treatment works in the areas referred to in paragraph 12 above;
- 18 directed officials from CERA, in consultation with the Treasury, Department of the Prime Minister and Cabinet, and the Department of Building and Housing, to report back to Cabinet on 20 February 2012 on the outcomes of the discussions referred to in paragraph 17 above and to advise on what roles the Crown should play in facilitating area-wide remediation works;

#### Areas which meet the Red Zone Criteria

- 19 noted that Red Zones have previously been declared in areas where there is area-wide damage (implying an area-wide solution) and an engineering solution to remediate the land damage would be uncertain, disruptive, not timely, nor cost effective [CAB Min (11) 24/15 and CAB Min (11) 30/18];

- 20 **noted** that while land in Brooklands appears cost effective to remediate, the impacts on residents would be at the worst end of the spectrum and would be inconsistent with the government's rebuild objectives;
- 21 **noted** that because of the significant fill required to repair the land to a consentable state, and the large number of properties over which the works would be required, land remediation would be impractical, intrusive and disruptive for residents;
- 22 **agreed** that the 417 properties at Brooklands as indicated in the table in the Appendix to this minute be rezoned red;
- 23 **agreed** to extend the government offer to purchase to insured residential property owners in the new Red Zones in Brooklands agreed to in paragraph 22 above;
- 24 **noted** that in July 2011 Cabinet agreed to fund 50 percent of the legal fees to a maximum of \$750 for those insured residential property owners who accept the Crown's Option 1, and a maximum of \$500 for those who accept Option 2 [CAB Min (11) 27/12];

### Confirmation of zoning boundaries

- 25 **noted** that prior to the announcement of the decisions in this minute, further checking will occur to ensure the Red/Green boundary is drawn on a sensible basis;
- 26 **agreed** to extend the Power to Act granted to the Minister of Finance, the Minister for Canterbury Earthquake Recovery, and the Associate Minister of Finance (Hon Steven Joyce) on Orange Zones [CAB Min (11) 34/19] to decisions on the drawing of Red/Green Zone boundaries;

### Financial Decisions

- 27 **noted** that the gross cost of voluntarily purchasing properties in the new Brooklands Red Zone is estimated to be \$143.887 million, based on a worst-case cost scenario;
- 28 **noted** that the Crown can recognise insurance receivables relating to the purchased properties, but there is a high degree of uncertainty in the amount that can be potentially recovered;
- 29 **noted** that the net cost of purchasing properties in the new Brooklands Red Zone is estimated to be \$57.771 million;
- 30 **noted** that Ministers with Power to Act may make minor and technical changes to Red/Green Zone boundary changes prior to announcements;

31 **approved** the following changes to appropriations to provide for the purchase of insured residential Red Zone properties related to decisions in paragraphs 23 and 26 above, with a corresponding impact on the operating balance:

Vote Canterbury Earthquake Recovery  Minister for Canterbury Earthquake Recovery	\$m -- increase/(decrease)				2015/16 & Outyears
	2011/12	2012/13	2013/14	2014/15	
Non-departmental other expense: Acquisition of Canterbury Red Zone Properties	143.887	-	-	-	

32 **noted** that the cost of providing a contribution towards legal fees to property owners in the Brooklands Red Zone is estimated to be \$0.266 million, based on a worst-case cost scenario;

33 **approved** the following changes to appropriations to provide for contributions towards legal fees incurred by property owners for Red Zones referred to in paragraphs 23 and 26, with a corresponding impact on the operating balance:

Vote Canterbury Earthquake Recovery  Minister for Canterbury Earthquake Recovery	\$m -- increase/(decrease)				2015/16 & Outyears
	2011/12	2012/13	2013/14	2014/15	
Non-departmental other expense: Contribution towards legal fees	0.266	-	-	-	-

34 **noted** that the management and demolition costs associated with voluntarily acquired Red Zone properties in paragraphs 23 and 26 is estimated to be \$8.053 million;

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- 35 **approved** the following changes to appropriations to provide for transaction costs incurred by the CERA with third parties on behalf of the Crown, relating to the acquisition and management of voluntarily acquired Red Zone properties referred to in paragraphs 23 and 26, with a corresponding impact on the operating balance:

Vote Canterbury Earthquake Recovery	\$m – increase/(decrease)				
	2011/12	2012/13	2013/14	2014/15	2015/16 & Outyears
<b>Minister for Canterbury Earthquake Recovery</b>					
Non-departmental output expense:					
Canterbury Earthquake Property Demolitions and Related costs and Compensation	2.784	-	-	-	
Departmental Output Expense: Management of Voluntarily Acquired Insured Residential Red Zone Properties (RDA)	0.157	-	-	-	-
Non-departmental Other Expense: Management of Voluntarily Acquired Insured Residential Red Zone Properties	5.112	-	-	-	-
<b>Total Operating</b>	<b>8.053</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- 36 **agreed** that the changes to appropriations for 2011/12 in paragraphs 31, 33 and 35 above be included in the 2011/12 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 37 **agreed** that all the expenses (net of insurance recoveries where applicable) incurred under the appropriations agreed in this minute be a charge against the Canterbury Earthquake Recovery Fund;
- 38 **noted** that officials will report to the Minister of Finance and the Minister for Canterbury Earthquake Recovery as part of the March Baseline Update, with a revised forecast of expenditures once more is know about the purchase offer options chosen and insurance receipts;
- 39 **authorised** the Minister of Finance and the Minister for Canterbury Earthquake Recovery to have Power to Act to vary the appropriations above prior to the March Baseline Update as a result of minor policy and technical issues in relation to the Red Zone offer of purchase;

**Publicity**

- 40 **noted** that the Minister for Canterbury Earthquake Recovery plans to announce the Orange rezoning decisions on Thursday, 17 November, subject to any decisions taken by Ministers with Power to Act to confirm the zoning boundaries;

41 noted that the Minister for Canterbury Earthquake Recovery intends to make these announcements at the same time as decisions on Green-zoning approximately 8,300 non-residential properties in the White (unzoned) area are announced.

Secretary of the Cabinet

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Released by the Minister for Canterbury Earthquake Recovery

Appendix 1

**List of areas proposed for Green Zoning**

Areas proposed for Green Zoning (individual repair possible)	Residential property count
Parts of Avonside	144
Part of Central City	38
Burwood – Horseshoe Lake	8
Burwood East – River side	31
Dallington	36
Kaiapoi West 2	27
Part of Linwood	24
Parklands – Puhara Ave	40
South New Brighton	101
Woolston	26
<b>TOTAL</b>	<b>475</b>

**List of areas proposed to remain Orange Zone for Joint Ministers to rezone**

Areas proposed for remaining Orange at this stage	Residential property count
Parts of Avonside	33
Part of Central City	79
Part of Linwood	29
Richmond South	144
Wainoni	88
Southshore West	401
<b>TOTAL</b>	<b>774</b>

**List of areas proposed for Red Zoning**

Areas proposed for Red Zoning	Residential property count
Brooklands	417
<b>TOTAL</b>	<b>417</b>

Released by the Minister for Canterbury Earthquake Recovery