



Cabinet

CAB Min (11) 42/9

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Minute of Decision

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Additional Item: Canterbury Earthquake: Orange Zone: Decisions by Ministers with Power to Act

Portfolio: Canterbury Earthquake Recovery

On 28 November 2011, Cabinet:

- 1 **noted** that on 14 November 2011, Cabinet:
 - 1.1 took a number of decisions on the rezoning of remaining Canterbury earthquake properties;
 - 1.2 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;

[CAB Min (11) 41/24]
- 2 **noted** that the group of Ministers with Power to Act on the Orange Zones subsequently, on 17 November 2011 took further decisions on the number of Orange Zone properties to be rezoned Green;
- 3 **noted** that the Orange Zone rezoning announcement on 17 November 2011 covered the decisions made by Cabinet on 14 November 2011 as modified by the subsequent decisions by Ministers with Power to Act on the Orange Zone;
- 4 **noted** that the Group of Ministers with Power to Act over the election period [CAB Min (11) 37/33] have confirmed the following consolidated set of decisions, reflecting the decisions by Cabinet on 14 November and the decisions by Ministers with Power to Act on the Orange Zones:

Context

- 4.1 **noted** that on 23 June 2011, the Prime Minister and Minister for Canterbury Earthquake Recovery announced four land damage zones for greater Christchurch;
- 4.2 **noted** that properties were zoned Orange on the basis that area-wide damage had been suffered by further work was required to assess the options to repair the land and rebuild in these areas;

- 4.3 noted that, following recent zoning announcements on the 28 October 2011, an estimated 1,666 residential properties remained in Orange zones;
- 4.4 noted that Cabinet has previously 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 refers];

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

- 4.5 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;
- 4.6 noted that further geotechnical investigation of the Orange zones has revealed that properties in a number of the remaining Orange areas can be repaired on an individual basis;
- 4.7 agreed that 341 of the remaining Orange zone properties, as indicated on the table in Appendix 1 [of the paper considered by the group of Ministers with Power to Act], be rezoned Green on the basis that the best available information indicates individual land remediation solutions are possible;
- 4.8 noted that the properties to be rezoned Green under paragraph 4.7 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;
- 4.9 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);
- 4.10 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;
- 4.11 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 support the repairs referred to in paragraph 4.10 above;

Other areas

- 4.12 noted that in some of the remaining Orange areas (Southshore West, Richmond South, parts of Central City – River South, Linwood, Avonside and Wainoni) 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;
- 4.13 noted that decisions on the rezoning of the remaining Orange Zones (refer Appendix 1) can be made by Ministers with Power to Act until 25 February 2012;

- 4.14 noted that the Minister for Canterbury Earthquake Recovery has directed the Canterbury Earthquake Recovery Authority to hold exploratory discussions with Christchurch City Council, Environment Canterbury and EQC on options for undertaking area-wide land treatment works in the areas noted in paragraph 4.12 above;
- 4.15 directed officials from the Canterbury Earthquake Recovery Authority, 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 noted in paragraph 4.14 above and to advise on what roles the Crown should play in facilitating area-wide remediation works;

Areas which meet the Red Zone criteria

- 4.16 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];
- 4.17 noted that in Brooklands, the impacts on residents would be at the worst end of the spectrum and would be inconsistent with the government's rebuild objectives;
- 4.18 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;
- 4.19 agreed that the 417 properties at Brooklands as indicated in the table attached in Appendix 1 and map at Appendix 2 be rezoned Red;
- 4.20 agreed to extend the government offer to purchase to insured residential property owners in the new Red Zones in Brooklands agreed to in 4.19 above;
- 4.21 noted that in July 2011, Cabinet agreed to fund 50% 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

- 4.22 noted that, prior to the announcement of the decisions in this minute, further checking occurred to ensure the Red/Green boundary is drawn on a sensible basis;
- 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 refers] to decisions on the drawing of Red/Green Zone boundaries;

Financial Decisions

- 4.24 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;
- 4.25 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;

- 4.26 noted that the net cost of purchasing properties in the new Brooklands Red Zone is estimated to be \$57.771 million;
- 4.27 noted that Ministers with Power to Act may make minor and technical changes to Red/Green Zone boundary changes prior to announcements;
- 4.28 approved the following changes to appropriations to provide for the purchase of insured residential Red Zone properties related to paragraphs 4.20 and 4.23, with a corresponding impact on the operating balance:

	\$m increase/(decrease)				
Vote Canterbury Earthquake Recovery Minister for Canterbury Earthquake Recovery	2011/12	2012/13	2013/14	2014/15	2015/16 & outyears
Non-Departmental Other Expense:					
Acquisition of Canterbury Red Zone properties	143.887	-		-	-

- 4.29 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;
- 4.30 approved the following changes to appropriations to provide for contributions towards legal fees incurred by property owners for Red Zones referred to in paragraphs 4.20 and 4.23, with a corresponding impact on the operating balance:

	\$m increase/(decrease)				
Vote Canterbury Earthquake Recovery Minister for Canterbury Earthquake Recovery	2011/12	2012/13	2013/14	2014/15	2015/16 & outyears
Non-Departmental Other Expense:					
Contributions towards legal fees	0.266	-	-	-	-

- 4.31 noted that the management and demolition costs associated with voluntarily acquired Red Zone properties in paragraphs 4.20 and 4.23 is estimated to be \$8.053 million;

4.32 approved the following changes to appropriations to provide for transaction costs incurred by the Canterbury Earthquake Recovery Authority with third parties on behalf of the Crown, relating to the acquisition and management of voluntarily acquired Red Zone properties referred to in paragraphs 4.20 and 4.23, with a corresponding impact on the operating balance:

Vote Canterbury Earthquake Recovery Minister for Canterbury Earthquake Recovery	\$m increase/(decrease)				
	2011/12	2012/13	2013/14	2014/15	2015/16 & outyears
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	-	-	-	-
Total Operating	8.053	-	-	-	-

4.33 agreed that the proposed changes to five appropriations for 2011/12 in paragraphs 4.28, 4.30 and 4.32 be included in the 2011/12 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

4.34 agreed that all the expenses (net of insurance recoveries where applicable) incurred under appropriations referred to in paragraphs 4.28, 4.30 and 4.32 be a charge against the Canterbury Earthquake Recovery Fund;

4.35 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 known about the purchase offer options chosen and insurance receipts;

4.36 authorised the Minister of Finance and the Minister for Canterbury Earthquake Recovery to have power to act to vary these appropriations 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

4.37 noted that the Minister for Canterbury Earthquake Recovery planned to announce the Orange rezoning decisions on Thursday 17 November;

- 4.38 noted that these announcements were planned at the same time as decisions on Green-zoning approximately 8,300 non-residential properties in the White (unzoned) area were announced;

Secretary of the Cabinet

Secretary's Note: This minute consolidates the decisions taken by Cabinet and Ministers with Power to Act in the week of 14 November 2011 on the rezoning of Canterbury earthquake Orange Zones.

Released by the Minister for Canterbury Earthquake Recovery