

To: **Hon Bill English**
Hon Gerry Brownlee
Hon Steven Joyce



IN CONFIDENCE

Rezoning Orange Zones in Wainoni, Avonside, Burwood and Dallington

Date	31 January 2012	Priority	Urgent
Report No	M/12/0215	File Reference	M/12/0215

Action Sought

		Deadline
Hon Bill English <i>Minister of Finance</i>	Agree to the recommendations in the paper	1 February 2012
Hon Gerry Brownlee <i>Minister for Canterbury Earthquake Recovery</i>	Agree to the recommendations in the paper	1 February 2012
Hon Steven Joyce <i>Associate Minister of Finance</i>	Agree to the recommendation in the paper	1 February 2012

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Diane Turner	General Manager, Strategy, Planning and Policy	s9(2)(a)	<input checked="" type="checkbox"/>
s9(2)(a)	Analyst		

Minister's office comments

- Noted
- Seen
- Approved
- Needs change
- Withdrawn
- Not seen by Minister
- Overtaken by events
- Referred to

Comments

8 FEB 2012

Rezoning Orange Zones in Wainoni, Avonside, Burwood and Dallington

Purpose

- 1 This paper seeks to rezone the Wainoni, Avonside, Burwood and Dallington Orange Zones. It also seeks to extend the government offer of purchase to insured residential property owners in these new Red Zones.

Executive summary

- 2 An estimated 908 residential properties in Christchurch remain Orange zoned.
- 3 To provide certainty to these residents and enable them to commence discussions with EQC and their insurers, this paper seeks agreement to:
 - rezone some of the remaining Orange zoned land Green (42 residential properties);
 - rezone some of the remaining Orange zoned land Red (213 residential properties).

The paper seeks to extend the government offer of purchase to insured residential property owners in the new Red Zones.

- 4 The proposals in this paper will reduce the number of properties in the Orange Zones to 653 residential properties.

Consultation

- 5 Treasury, Department of the Prime Minister and Cabinet, and Department of Building and Housing were consulted on an early draft of this briefing.

Recommendations

- 6 It is recommended that you:

- 1 **Note** 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].
- 2 **Agree** that 42 of the remaining Orange Zone properties in Wainoni (areas 6.34 and 6.35), as indicated on the map in Appendix 2, be rezoned Green on the basis that the best available information indicates individual land remediation solutions are possible.

YES / NO
Minister of Finance

YES / NO
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

3 **Agree** that the 148 residential properties in Avonside (areas 4.2, 4.3 and 4.5) as indicated in the map attached in Appendix 3 be rezoned Red.

YES / NO
Minister of Finance

YES / NO
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

4 **Agree** to extend the government offer of purchase to insured residential property owners in the new Red Zone in Avonside, agreed in recommendation 3 above.

YES / NO
Minister of Finance

YES / NO
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

5 **Agree** that the 46 residential properties in Wainoni (areas 6.31, 6.32 and 6.33) as indicated in the map attached in Appendix 2, be rezoned Red and to extend the government offer of purchase to insured residential property owners in this area.

YES / NO
Minister of Finance

YES / NO
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

6 **Agree** to extend the government offer of purchase to insured residential property owners in the new Red Zone in Wainoni, agreed in recommendation 5 above.

YES / NO
Minister of Finance

YES / NO
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

7 **Agree** that the 12 residential properties in Burwood (areas 2.43 and 2.52), and 7 residential properties in Dallington (area 17.4) as indicated in the maps attached in Appendices 3 and 4, be rezoned Red and to extend the government offer of purchase to insured residential property owners in this area.

YES / NO
Minister of Finance

YES / NO
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

8 **Agree** to extend the government offer of purchase to insured residential property owners in the new Red Zones in Burwood and Dallington, agreed in recommendation 7 above.

YES / NO
Minister of Finance

YES / NO
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

9 **Note** that the gross cost of voluntarily purchasing properties in the new Wainoni, Avonside, Burwood and Dallington Red Zones are estimated to be \$68.383 million, based on a worst-case cost scenario.

10 **Note** that the net cost of purchasing properties in the new Wainoni, Avonside, Burwood and Dallington Red Zones are estimated to be less than \$29.741 million.

- 11 Approve the following changes to appropriations to provide for the purchase of insured residential Red Zone properties related to recommendations 3, 5 and 7, with a corresponding impact on the operating balance:

	\$m increase/(decrease)				
Vote Canterbury Earthquake Recovery	2011/12	2012/13	2013/14	2014/15	2015/16 & outyears
Minister for Canterbury Earthquake Recovery					
Non-Departmental Other Expense:					
Acquisition of Canterbury Red Zone properties	68.383	-	-	-	-

YES / NO
Minister of Finance

YES / NO
Minister for Canterbury Earthquake Recovery

YES / NO
Associate Minister of Finance

- 12 Note that the cost of providing a contribution towards legal fees to property owners in the new Wainoni, Avonside, Burwood and Dallington Red Zones are estimated to be \$0.160 million, based on a worst-case cost scenario.

- 13 Approve the following changes to appropriations to provide for contributions towards legal fees incurred by property owners for Red Zones referred to in recommendations 3, 5 and 7, with a corresponding impact on the operating balance:

	\$m increase/(decrease)				
Vote Canterbury Earthquake Recovery	2011/12	2012/13	2013/14	2014/15	2015/16 & outyears
Minister for Canterbury Earthquake Recovery					
Non-Departmental Other Expense:					
Contributions towards legal fees	0.160	-	-	-	-

YES / NO
Minister of Finance

YES / NO
Minister for Canterbury Earthquake Recovery

YES / NO
Associate Minister of Finance

14 **Note** that the management and demolition costs associated with voluntarily acquired Red Zone properties in recommendations 3, 5 and 7 is estimated to be \$4.317 million.

YES / NO
Minister of Finance

YES / NO
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

15 **Approve** 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 recommendations 3, 5 and 7, 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
Minister for Canterbury Earthquake Recovery					
Non-Departmental Output Expense:					
Canterbury Earthquake Property Demolitions and Related Costs and Compensation	1.672	-	-	-	-
Departmental Output Expense:					
Management of Voluntarily Acquired Insured Residential Red Zone Properties	0.095	-	-	-	-
Non-Departmental Other Expense:					
Management of Voluntarily Acquired Insured Residential Red Zone Properties	2.550	-	-	-	-
Total Operating	4.317	-	-	-	-

YES / NO
Minister of Finance

YES / NO
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

16 Agree that the proposed changes to four appropriations for 2011/12 in recommendations 13 and 15 be included in the 2011/12 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.

YES / NO
Minister of Finance

YES / NO
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

17 Agree that all the expenses (net of insurance recoveries where applicable) incurred under appropriations agreed in this paper be a charge against the Canterbury Earthquake Recovery Fund.

YES / NO
Minister of Finance

YES / NO
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance



Diane Turner

General Manager, Strategy, Planning and
Policy

NOTED / APPROVED / NOT APPROVED

Hon Bill English Minister of Finance
Date: 4 / 2 / 2012

NOTED / APPROVED / NOT APPROVED
Hon Gerry Brownlee Minister for Canterbury Earthquake Recovery
Date: / / 2012

NOTED / APPROVED / NOT APPROVED
Hon Steven Joyce Associate Minister of Finance
Date: / / 2012

- Appendix 1: Property counts by area
- Appendix 2: Map of proposed rezoning – Wainoni
- Appendix 3: Map of proposed rezoning – Avonside and Dallington
- Appendix 4: Map of proposed rezoning – Burwood

To: Hon Bill English
 Hon Gerry Brownlee
 Hon Steven Joyce



IN CONFIDENCE

Rezoning Orange Zones in Wainoni, Avonside, Burwood and Dallington: Update

Date	31 January 2012	Priority	Urgent
Report No	M/12/0215	File Reference	M/12/0215

Action Sought

		Deadline
Hon Bill English <i>Minister of Finance</i>	Agree to the recommendations in the paper	1 February 2012
Hon Gerry Brownlee <i>Minister for Canterbury Earthquake Recovery</i>	Agree to the recommendations in the paper	1 February 2012
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Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Diane Turner	General Manager, Strategy, Planning and Policy	s9(2)(a)	<input checked="" type="checkbox"/>
s9(2)(a)	Analyst		

Minister's office comments

<input type="checkbox"/> Noted <input type="checkbox"/> Seen <input type="checkbox"/> Approved <input type="checkbox"/> Needs change <input type="checkbox"/> Withdrawn <input type="checkbox"/> Not seen by Minister <input type="checkbox"/> Overtaken by events <input type="checkbox"/> Referred to _____	Comments
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Rezoning Orange Zones in Wainoni, Avonside, Burwood and Dallington

Purpose

- 1 This paper seeks to rezone the Wainoni, Avonside, Burwood and Dallington Orange Zones. It also seeks to extend the government offer of purchase to insured residential property owners in these new Red Zones. This briefing has been revised based on conversations with the Minister for Canterbury Earthquake Recovery's office.

Executive summary

- 2 An estimated 908 residential properties in Christchurch remain Orange zoned.
- 3 To provide certainty to these residents and enable them to commence discussions with EQC and their insurers, this paper seeks agreement to:
 - rezone some of the remaining Orange zoned land Green (42 residential properties);
 - rezone some of the remaining Orange zoned land Red (213 residential properties).

The paper seeks to extend the government offer of purchase to insured residential property owners in the new Red Zones.

- 4 The proposals in this paper will reduce the number of properties in the Orange Zones to 653 residential properties.

Consultation

- 5 Treasury, Department of the Prime Minister and Cabinet, and Department of Building and Housing were consulted on an early draft of this briefing.

Recommendations

- 6 It is recommended that you:
 - 1 **Note** 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].
 - 2 **Agree** that 42 of the remaining Orange Zone properties in Wainoni (areas 6.34 and 6.35), as indicated on the map in Appendix 2, be rezoned Green on the basis that the best available information indicates individual land remediation solutions are possible.

YES / NO
Minister of Finance

YES / NO *AS*
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

3 **Agree** that the 148 residential properties in Avonside (areas 4.2, 4.3 and 4.5) as indicated in the map attached in Appendix 3 be rezoned Red.

YES / NO
Minister of Finance

YES / NO *AB*
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

4 **Agree** to extend the government offer of purchase to insured residential property owners in the new Red Zone in Avonside, agreed in recommendation 3 above.

YES / NO
Minister of Finance

YES / NO *AB*
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

5 **Agree** that the 46 residential properties in Wainoni (areas 6.31, 6.32 and 6.33) as indicated in the map attached in Appendix 2, be rezoned Red and to extend the government offer of purchase to insured residential property owners in this area.

YES / NO
Minister of Finance

YES / NO *AB*
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

6 **Agree** to extend the government offer of purchase to insured residential property owners in the new Red Zone in Wainoni, agreed in recommendation 5 above.

YES / NO
Minister of Finance

YES / NO *AB*
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

7 **Agree** that the 12 residential properties in Burwood (areas 2.43 and 2.52), and 7 residential properties in Dallington (area 17.4) as indicated in the maps attached in Appendices 3 and 4, be rezoned Red and to extend the government offer of purchase to insured residential property owners in this area.

YES / NO
Minister of Finance

YES / NO *AB*
Minister for Canterbury
Earthquake Recovery

YES / NO
Associate Minister of
Finance

8 **Agree** to extend the government offer of purchase to insured residential property owners in the new Red Zones in Burwood and Dallington, agreed in recommendation 7 above.

YES / NO
Minister of Finance

YES / NO *AB*
Minister for Canterbury
Earthquake Recovery

YES / NO
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9 **Note** that the gross cost of voluntarily purchasing properties in the new Wainoni, Avonside, Burwood and Dallington Red Zones are estimated to be \$68.383 million, based on a worst-case cost scenario.

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Minister for Canterbury Earthquake Recovery					
Non-Departmental Other Expense:					
Acquisition of Canterbury Red Zone properties	68.383	-	-	-	-

YES / NO
Minister of Finance

YES / NO *AB*
Minister for Canterbury Earthquake Recovery

YES / NO
Associate Minister of Finance

- 12 **Note** that the cost of providing a contribution towards legal fees to property owners in the new Wainoni, Avonside, Burwood and Dallington Red Zones are estimated to be \$0.160 million, based on a worst-case cost scenario.

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Minister for Canterbury Earthquake Recovery					
Non-Departmental Other Expense:					
Contributions towards legal fees	0.160	-	-	-	-


YES / NO
Minister of Finance

YES / NO *AB*
Minister for Canterbury Earthquake Recovery

YES / NO
Associate Minister of Finance

- 14 **Note** that the management and demolition costs associated with voluntarily acquired Red Zone properties in recommendations 3, 5 and 7 is estimated to be \$4.317 million.

YES / NO
Minister of Finance

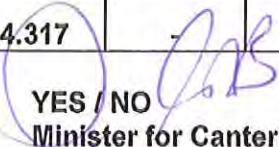
YES / NO 
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Vote Canterbury Earthquake Recovery Minister for Canterbury Earthquake Recovery	\$m increase/(decrease)				
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Non-Departmental Output Expense: Canterbury Earthquake Property Demolitions and Related Costs and Compensation	1.672	-	-	-	-
Departmental Output Expense: Management of Voluntarily Acquired Insured Residential Red Zone Properties	0.095	-	-	-	-
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YES / NO
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YES / NO
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YES / NO
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Earthquake Recovery

YES / NO
Associate Minister of
Finance

Diane Turner
General Manager, Strategy, Planning
and Policy

NOTED / APPROVED / NOT APPROVED	NOTED / APPROVED / NOT APPROVED	NOTED / APPROVED / NOT APPROVED
Hon Bill English Minister of Finance	Hon Gerry Brownlee Minister for Canterbury Earthquake Recovery	Hon Steven Joyce Associate Minister of Finance
Date: / / 2012	Date: 07 / 02 / 2012	Date: / / 2012

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To: Hon Bill English
 Hon Gerry Brownlee
 Hon Steven Joyce



IN CONFIDENCE

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Comments

Rezoning Orange Zones in Wainoni, Avonside, Burwood and Dallington

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YES / NO
Minister of Finance

YES / NO
Minister for Canterbury
Earthquake Recovery

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Associate Minister of
Finance

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Minister of Finance

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Earthquake Recovery

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Finance

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Minister of Finance

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Earthquake Recovery

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Finance

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Minister for Canterbury Earthquake Recovery					
Non-Departmental Other Expense:					
Acquisition of Canterbury Red Zone properties	68.383	-	-	-	-

YES / NO
Minister of Finance

YES / NO
Minister for Canterbury Earthquake Recovery

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Minister for Canterbury Earthquake Recovery					
Non-Departmental Other Expense:					
Contributions towards legal fees	0.160	-	-	-	-

YES / NO
Minister of Finance

YES / NO
Minister for Canterbury Earthquake Recovery

YES / NO
Associate Minister of Finance

14 **Note** that the management and demolition costs associated with voluntarily acquired Red Zone properties in recommendations 3, 5 and 7 is estimated to be \$4.317 million.

YES / NO
Minister of Finance

YES / NO
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Earthquake Recovery

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Finance

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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	1.672	-	-	-	-
Departmental Output Expense:					
Management of Voluntarily Acquired Insured Residential Red Zone Properties	0.095	-	-	-	-
Non-Departmental Other Expense:					
Management of Voluntarily Acquired Insured Residential Red Zone Properties	2.550	-	-	-	-
Total Operating	4.317	-	-	-	-

YES / NO
Minister of Finance

YES / NO
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YES / NO
Associate Minister of
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16 **Agree** that the proposed changes to four appropriations for 2011/12 in recommendations 13 and 15 be included in the 2011/12 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.

YES / NO
Minister of Finance

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Minister for Canterbury
Earthquake Recovery

YES / NO
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YES / NO
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Diane Turner

General Manager, Strategy, Planning and
Policy

NOTED / APPROVED / NOT APPROVED

Hon Bill English
Minister of Finance

Date: / / 2012

NOTED / APPROVED / NOT APPROVED

Hon Gerry Brownlee
Minister for Canterbury Earthquake Recovery

Date: / / 2012

NOTED / APPROVED / NOT APPROVED

Hon Steven Joyce
Associate Minister of Finance

Date: 7 / 2 / 2012

- Appendix 1: Property counts by area
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- Appendix 3: Map of proposed rezoning – Avonside and Dallington
- Appendix 4: Map of proposed rezoning – Burwood

Background

Previous Zoning Decisions

- 7 In the initial Canterbury Earthquake zoning announcements on 23 June 2011, Orange Zones were established for areas which required further work to determine the appropriate permanent zoning category. Zones were established based on the severity and extent of land damage, the cost-effectiveness and social impacts of land remediation.
- 8 Criteria were previously agreed by Cabinet to classify areas as either Red Zones or Green Zones [CAB Min (11) 24/15 refers]. Red Zones have 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 and the health and wellbeing of residents is at risk. Green Zones have been declared in areas where land damage can be repaired on an individual basis as part of the normal insurance process.
- 9 There is currently an estimated 908 properties in the remaining Orange Zones. Cabinet previously noted that further work was required in these remaining areas to determine appropriate zoning [CAB Min (11) 39/4 and (11) 42/9].

Power to Act

- 10 Cabinet 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 to take decisions on reclassifying the Orange Zone areas until 25 February 2012 [CAB Min (11) 34/19 refers].

Comment

- 11 The remaining Orange Zones are among the most challenging to make decisions on because of the nature of land damage (e.g., moderate to severe lateral spreading), the nature and extent of land remediation works required, and/or the extent of property damage suffered.
- 12 The following sections discuss:
 - 12.1 Areas which can be rezoned Green on the basis that individual solutions are possible;
 - 12.2 Areas that meet the Red Zone criteria.
- 13 A summary of the number of properties in each area proposed for rezoning in this paper is provided in Appendix 1.

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

- 14 Much of greater Christchurch has already been zoned Green on the basis that there are no significant issues which prevent rebuilding in these areas. A key factor is that, even though land on some properties may be damaged, most properties can be repaired on an individual basis as part of the normal insurance process. In some cases, some land may be assessed by EQC as not economic to repair and such properties will receive the EQC land cap payment in lieu of repair. EQC may also refuse natural hazard cover to these same properties in the future.

- 15 Further geotechnical investigation of the remaining Orange subzones has revealed that part of Wainoni (areas 6.34 and 6.35, which contain 42 residential properties) can be repaired on an individual basis. Consistent with past decisions, it is proposed that this area, be rezoned Green (see map in Appendix 2). This decision will provide certainty for property owners about the future of their land and will enable them to work with their insurer and EQC to repair, rebuild or replace their properties. As with other Orange Zone areas that have been rezoned Green, these properties will be in Technical Category 3.

Areas which meet the Red Zone criteria

- 16 Red Zones have previously been declared in areas where [CAB Min (11) 24/15 and CAB Min (11) 30/18]:

16.1 there is area-wide land damage, thereby implying some sort of area-wide solution; and

16.2 an engineering solution to remediate the land damage would:

- 16.2.1 be uncertain in terms of detailed design, its success and its possible commencement, given the ongoing seismic activity;
- 16.2.2 be disruptive for landowners, as the commencement date is uncertain (both in terms of confidence in the land settling sufficiently to begin remediation and the need to sequence the many areas where remediation would be required), and the length of time they would need to be out of their homes to allow remediation to occur and new homes built;
- 16.2.3 not be timely: for example there is also substantial replacement of infrastructure required and/or the land level needs to be significantly lifted effectively requiring work equivalent to the development of a new subdivision, and would probably lead to significant social dislocation for those communities in the short-to-medium term
- 16.2.4 not be cost effective: the cost of remediation is greater than the value of the land as shown below:

<p><i>Land reinstatement to pre-September condition</i></p> <p style="text-align: center;">+</p> <p><i>The betterment cost (i.e. perimeter treatment and/or additional raising of the land)</i></p> <p style="text-align: center;">+</p> <p><i>Infrastructure replacement¹</i></p> <p style="text-align: center;">-</p> <p><i>Decommissioning costs (infrastructure decommissioning and grassing)</i></p>	
<p><i>If the cost of the above exceeds the improvement in the value of the damaged land², remediation is not cost-effective</i></p>	<p><i>If the cost of the above is less than the improvement in the value of the damaged land², remediation may be cost-effective</i></p>

¹ Includes the infrastructure within the Orange Zones required to service the sub-zone area of interest (and excludes the cost to repair infrastructure required to service surrounding Green Zones)

- 16.2.5 The health or well-being of residents is at risk from remaining in the area for prolonged periods.

Avonside

- 17 In Avonside (133 residential properties in areas 4.3 and 4.5, see map in Appendix 3), there has been widespread liquefaction resulting in ground settlement. Tonkin and Taylor have advised that while individual solutions are likely to be technically feasible for many properties in this area, such solutions would be difficult to implement, and area-wide land remediation would be expected to be a significantly more efficient and effective option to repair the land to a consentable state. For many properties the land would need to be raised significantly to meet building consent requirements, which is difficult to achieve on an individual basis without area-wide works. In addition, lateral spreading along the river and slope stability issues would need to be addressed before any rebuilding is undertaken.
- 18 The extent of damage across Avonside is comparable with the residential Red zones (for example, an estimated 58% of properties are classified as rebuild). The table below presents estimates of the cost-effectiveness of area-wide land remediation, based on the formula noted in 16.2.4 above.

		Expected net cost of remediating		
		Lower bound	Mid point	Upper bound
Avonside -133 residential improved properties	Net cost	\$4.820 m	\$5.177 m	\$6.679 m
	% LV needed post remediation	31%	39%	47%

- 19 These figures only consider the direct cost of remediating the land. There are a range of other costs that are not included in the analysis including the cost of temporary accommodation, maintaining the infrastructure in this area long term and rebuilding houses. Consequently, the figures above are an underestimate of the total cost of remediating these areas.
- 20 While the area appears to be cost effective to remediate the land the nature of the remediation solution required in this area means that rebuilding will be particularly challenging for property owners. Given these challenges, remediating this area would be inconsistent with the government's rebuild objectives.³
- 21 It is also likely that some property owners would be unable to rebuild without the cooperation of their neighbours and the works required would be intrusive and disruptive. For example, along the Patten Street Terrace, houses may need to be demolished and co-ordinated work undertaken across multiple properties before property owners could rebuild.
- 22 Living in this area is also having an adverse impact on the health and well-being of the residents. Residents in this area have particularly poor infrastructure including sewerage and storm water.

² Despite the recent earthquake events, properties are likely to have some land value left. We assume there is 10% of the land value remaining in the properties.

³ The rebuild objectives include: certainty of outcome for home-owners as soon as practicable; confidence for people to be able to move forward with their lives; confidence in decision making processes (for home-owners, business-owners, insurers and investors); decisions based on the best available information; and having a simple process in order to provide clarity and support for land-owners, residents, and businesses in those areas.

- 23 It is therefore proposed that Avonside (areas 4.3 and 4.5) be rezoned as a Red Zone and that the government purchase offer is extended to insured residential property owners in this area. As with previous Red Zone offers, landowners should be able to defer acceptance of the offer up to 9 months from the date they receive the offer and with the opportunity to defer settlement up to 30 April 2013. The net cost to the Crown of the purchase offer for these new Red Zone properties is estimated to \$18.095 million (a gross cost of \$43.318 million less estimated insurance recoveries).⁴ In addition, the Crown contribution to legal fees is estimated to be up to \$0.102 million. Additional costs include those for demolition of properties, the management of purchased land and transaction costs (estimated to be \$2.807 million).

Wainoni

- 24 While some of the properties in Wainoni are able to be green zoned, other areas have experienced lateral spreading from the recent earthquakes. Some areas, including some of those who did not experience lateral spreading in this earthquake sequence, are at risk of lateral spreading in future significant earthquakes. To be able to rebuild in such areas, the future lateral spreading risk will need to be addressed.
- 25 While remediation on these areas appears cost effective, undertaking this remediation would be particularly challenging for property owners. For example, the 19 properties (17 of which are residential) in area 6.33 suffered substantial damage due to lateral ground movements. To remediate these properties, all dwellings would need to be demolished and significant land work undertaken to reduce the slope across the sections or to reinforce the slope. This work would require the co-operation and co-ordination of all property owners to enable the work to be completed.
- 26 Given the challenging nature of the remediation in this area, green zoning these properties is not consistent with the government's rebuild objectives. This remediation solution is unlikely to provide certainty for property owners, creating a lack of clarity about how to proceed with remediating their property.⁵
- 27 It is therefore proposed that these 46 residential properties in Wainoni (areas 6.31, 6.32 and 6.33) be rezoned Red, and that the government purchase offer is extended to insured residential property owners in this area. As with previous Red Zone offers, landowners should be able to defer acceptance of the offer up to 9 months from the date they receive the offer and with the opportunity to defer settlement up to 30 April 2013. The net cost to the Crown of the purchase offer for these new Red Zone properties is estimated to \$5.660 million⁶. The gross cost is estimated at \$13.476 million. In addition, the Crown contribution to legal fees is estimated to be up to \$0.035 million. Additional costs include those for demolition of properties, the management of purchased land and transaction costs (estimated to be \$0.817 million).

⁴ The ultimate cost will depend on: which of the two offers is accepted by property owners; and the amount of insurance recoveries received by the Crown under the purchase agreements.

⁵ The rebuild objectives include: certainty of outcome for home-owners as soon as practicable; confidence for people to be able to move forward with their lives; confidence in decision making processes (for home-owners, business-owners, insurers and investors); decisions based on the best available information; and having a simple process in order to provide clarity and support for land-owners, residents, and businesses in those areas.

⁶ Insurance recoveries from house damage are estimated at \$2.210 million, based on rapid assessment data. The ultimate cost will depend on: which of the two offers is accepted by property owners; and the amount of insurance recoveries received by the Crown under the purchase agreements.

Other areas

- 28 Three other areas have remained Orange to date to enable the appropriate boundary between the Red and Green Zones to be determined. Based on a comparison of the land damage between these areas and neighbouring Red and Green Zones, the engineering works which would be required to enable rebuilding, and consideration of the infrastructure implications, it is proposed that all of these areas are rezoned Red.
- 29 In Burwood, there are 12 Orange Zone properties on the Red/Green Zone boundary (areas 2.52 and 2.43, see map in Appendix 4). These properties exhibit similar levels of damage to the neighbouring Red Zone properties, face the same issues which make rebuilding not feasible at this time, and may face issues related to long-term infrastructure maintenance. It is therefore proposed that these properties in Burwood be rezoned as a Red Zone, and that the government purchase offer is extended to insured residential property owners in this area.
- 30 In Dallington, there are 7 Orange Zone properties on the Red/Green Zone boundary (area 17.4, see map in Appendix 3). These properties exhibit similar levels of damage to the neighbouring Red Zone properties and face the same issues which make rebuilding not feasible at this time. It is therefore proposed that these properties in Dallington be rezoned as a Red Zone, and the government purchase offer is extended to insured residential property owners in this area.
- 31 In Avonside, there are 15 Orange Zone properties on the Red/Green Zone boundary (area 4.2, see map in Appendix 3). These properties are surrounded by Red Zone properties and would be the only properties remaining north of Retreat Road. Based on the information available and to enable an appropriate boundary line between Red and Green Zones, it is proposed that these properties in Avonside be rezoned as a Red Zone, and the government purchase offer is extended to insured residential property owners in this area.
- 32 As with previous Red Zone offers, landowners in Burwood, Dallington and Avonside should be able to defer acceptance of the offer up to 9 months from the date they receive the offer and with the opportunity to defer settlement up to 30 April 2013. The net cost to the Crown of the purchase offer for these new Red Zone properties is estimated to be \$5.986 million (a gross cost of \$11.589 million less estimated insurance recoveries).⁷ In addition, the Crown contribution to legal fees is estimated to be up to \$23,000. Additional costs include those for demolition of properties, the management of purchased land and transaction costs (estimated to be \$0.693 million).

Financial implications

- 33 CERA estimates the gross cost of purchase associated with the new Wainoni, Avonside, Burwood and Dallington Red Zones proposal to be \$68.383 million at a worst-case cost scenario. However, the Crown can also recognise the insurance receivables relating to the purchased properties. The exact quantum of these receivables is yet to be confirmed, but the net cost of purchasing these properties is estimated to be less than \$29.741 million. It is important to recognise that these costs could change depending on the interpretation of insurance policies and coverage.
- 34 The consequential impacts of the Red Zone decisions are as follows:

⁷ The ultimate cost will depend on: which of the two offers is accepted by property owners; and the amount of insurance recoveries received by the Crown under the purchase agreements.

34.1 Providing a contribution towards the legal fees of property owners in the new Red Zones is estimated to cost up to \$0.160 million.

34.2 Property transaction and management costs⁸ of \$4.317 million.

- 35 The net costs of purchasing all of the new Red Zone properties (including associated costs) will be a charge against the Canterbury Earthquake Recovery Fund (CERF). The decisions in this paper are included in the central forecast of land costs in the CERF and have no impact on the general contingency within the CERF. The CERF was established in Budget 2011 - therefore the decisions in this paper have no further impact on the fiscal aggregates.

Publicity

- 36 Letters of notification, updating the LandCheck, and CERA websites are being prepared in anticipation of the decisions in this paper. Door knocking is also being planned for the new Red Zone areas and consideration is being given to live streaming the announcement.
- 37 A letter will be sent to all rezoned Orange Zone properties to inform them of their new land status. Information on Technical Categories will be included for those properties that are going Green.

⁸ Includes demolition.

Appendix 1

List of areas proposed for Green Zoning

Areas proposed for Green Zoning (individual repair possible)	Residential property count
Part of Wainoni	42
TOTAL	42

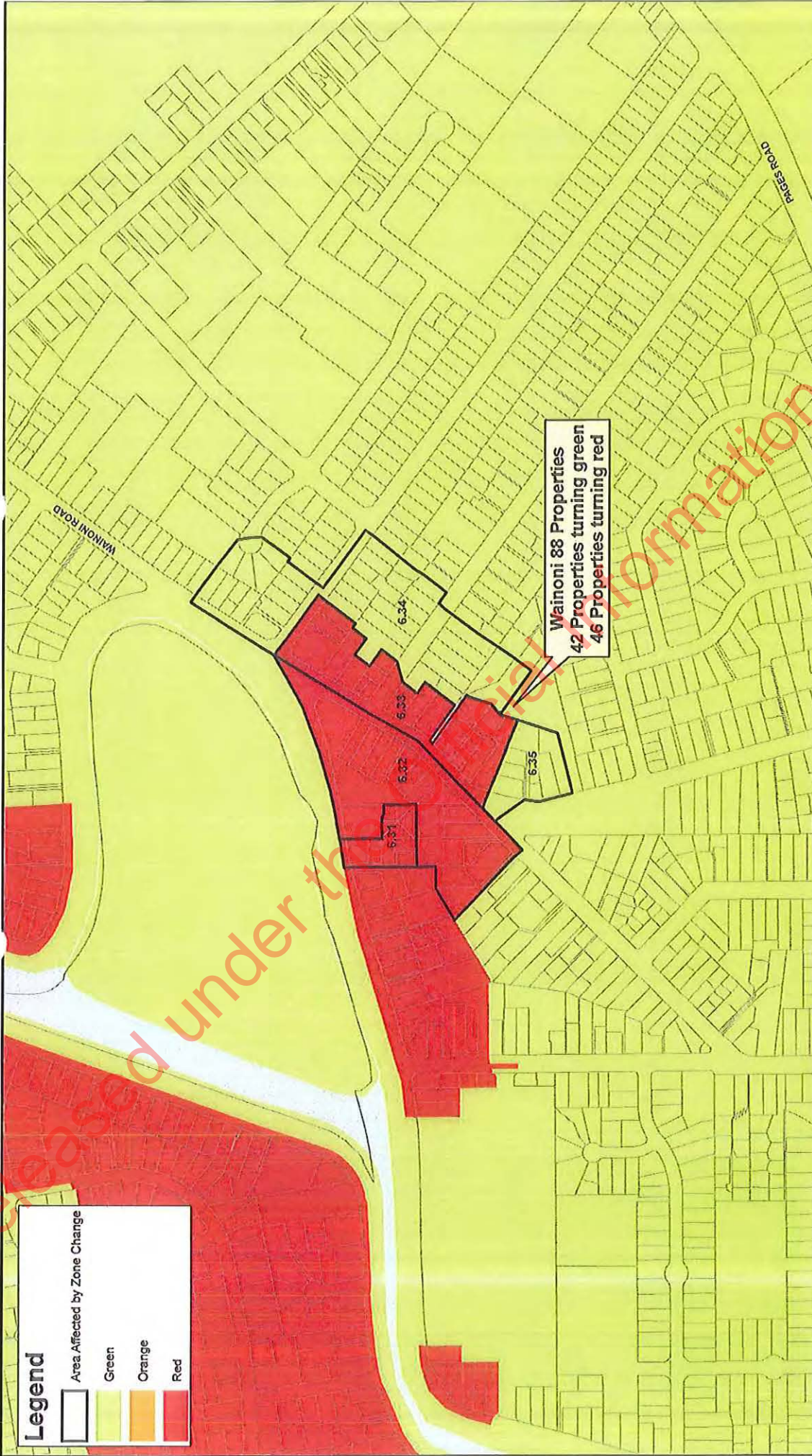
List of areas proposed for Red Zoning

Areas proposed for Red Zoning	Residential property count
Avonside	148
Part of Wainoni	46
Burwood	12
Dallington	7
TOTAL	213

List of areas remaining Orange Zoned

Areas remaining Orange Zoned	Residential property count
Central City	79
Linwood	29
Richmond South	144
Southshore West	401
TOTAL	653

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Legend

- Area Affected by Zone Change
- Green
- Orange
- Red

Wainoni 88 Properties turning green
 42 Properties turning red
 46 Properties turning orange

Notes:
 Road Database supplied by Teralink International Ltd.
 Road Network supplied by Geomatics Engineering Creative
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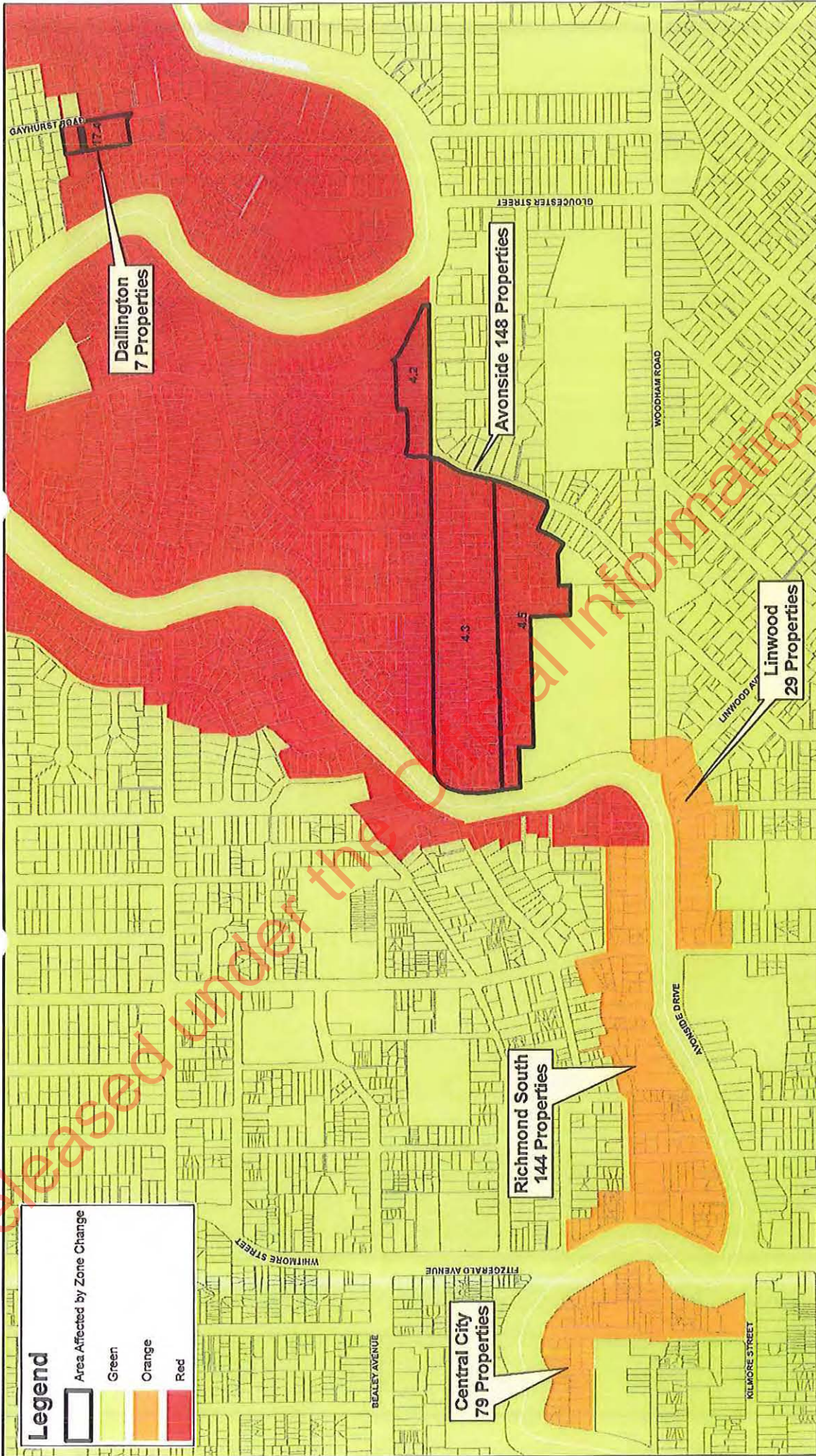


DRAWN	
CHECKED	
APPROVED	
ASPIRE	
SCALE (AT A3 SIZE)	1:4,000
PROJECT No.	

Canterbury Land Information Map
 Orange Zone Changes
 31 January 2012

REV No. Appendix 2

Released under the Official Information Act 1982



Legend

- Area Affected by Zone Change
- Green
- Orange
- Red

CERA
Canterbury Earthquake
Recovery Authority

Canterbury Land Information Map
Orange Zone Changes
31 January 2012

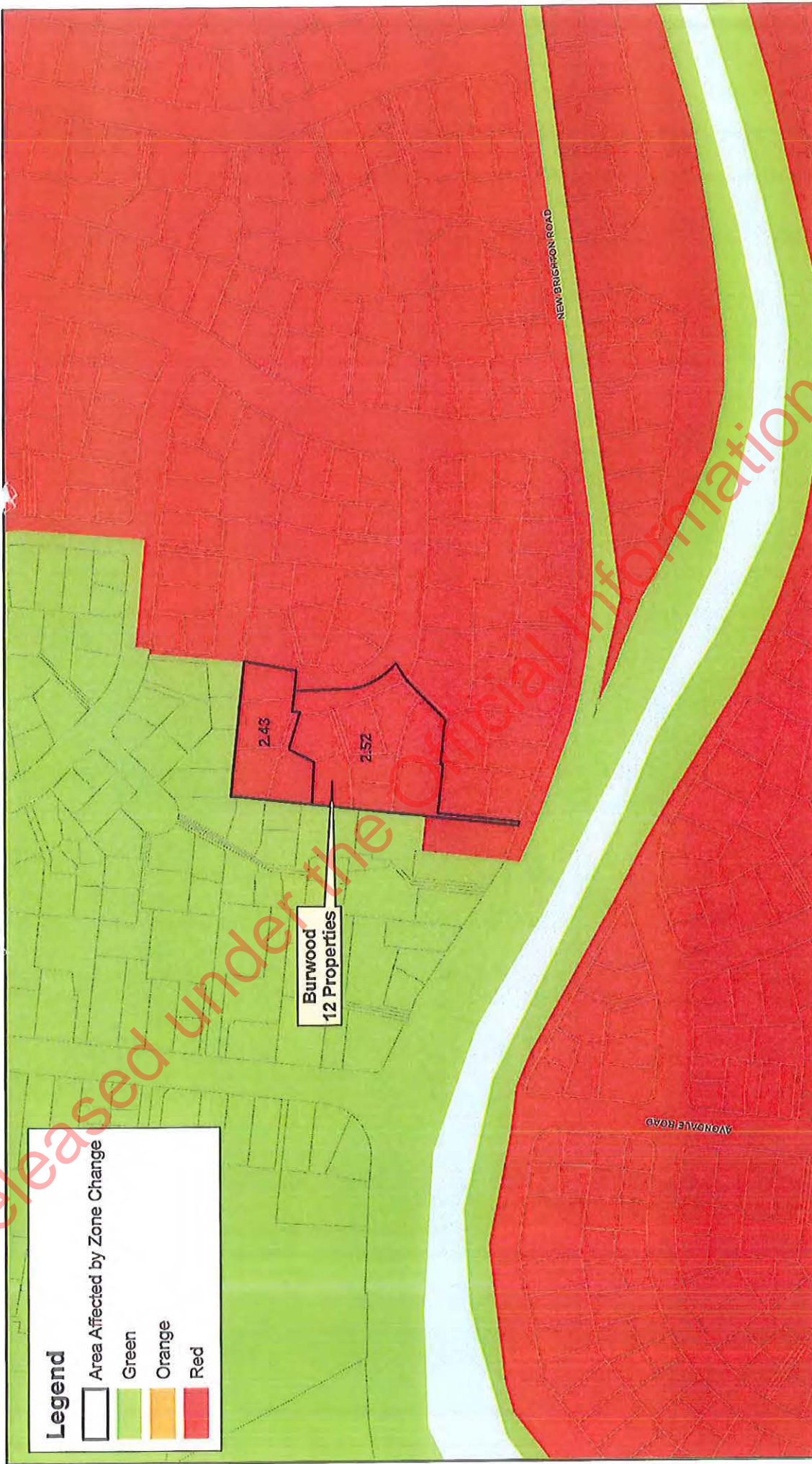
Notes:
Base Data supplied by Topolink International Ltd.
Road Block boundaries and roads licensed under Creative
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A3 SCALE 1:6,000
0 0.08 0.16 0.24 0.32 km

DRAWN		PROJECT No.		REV No.	
CHECKED					
APPROVED					
AS/PROFILE					
SCALE (A3 PAU SIZE)		1:6,000			

Appendix 3


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Legend

- Area Affected by Zone Change
- Green
- Orange
- Red

DRAWN		
CHECKED		
APPROVED		
ANGPILE		
SCALE (A1 A0 A3/A4)		1:2,000
PROJECT No.		



CERA
Canterbury Earthquake Recovery Authority



Notes:
 Road Database supplied by Terralink International Ltd.
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A3 SCALE 1:2,000
 0 0.025 0.05 0.075 0.1 km

Canterbury Land Information Map
 Orange Zone Changes
 31 January 2012

Appendix 4

REV. No.