

# Tairāwhiti

## our road to recovery

### As a community we need to decide how we pay the Cyclone Gabrielle recovery bill

The Government has made an offer of support worth \$204m.

On 14 February Cyclone Gabrielle severely impacted our region causing the tragic loss of life, displacement of many families and whanāu, destruction and damage to homes and critical infrastructure, significant impacts to our economy, industries and transport networks and the isolation of many communities.

We have reopened roads and bridges to reconnect isolated communities but there is a great deal more to be done. The Government has offered a support package of \$204m to Tairāwhiti for cyclone recovery. The funding offer is conditional on Council contributing 50% of costs for Category 3 property purchases (see page 3 for an explanation of what Category 3 properties are and why they need to be purchased). Purchases include relocation grants for mixed-use properties. The offer is also conditional on Council contributing 10% of costs for community risk mitigations, such as flood protection works. We are not committing to buying properties after every weather event. This is a response specific to Cyclone Gabrielle.

**Kōrero  
mai  
Have your  
say!**

## Should we accept the offer?

At its meeting in August, Council endorsed the offer, subject to consultation with the community.

Accepting the Government's offer will impact rates and we will need to contribute around \$21m towards the total costs. It will mean a 1% rates increase in 2024/25. It's an all or nothing offer. We can't accept some parts and decline others.

### The Government support package worth up to \$204m, would provide funding across three key areas:



\$64m for flood risk mitigation including upgrades and new assets such as stopbanks. The Government will pay 90% towards the costs of these risk mitigation works and Council will need to pay the remaining 10%.



\$125m for local road and bridge repairs to provide network resilience including a solution for Tiniroto Road.



\$15m towards purchasing residential Category 3 properties. There is an opportunity to increase this amount if costs are higher than expected at the time the agreement is made. This \$15m represents 50% of the funding needed to purchase these properties, including relocation grants for mixed-use properties. The other 50% will come from Council. The purchase costs are less any insurance proceeds.



\$30m interest-free 10-year loan. Council will use this to fund Category 3 property purchases, Category 2 flood risk mitigation and road and bridge repairs.



# Our reality

**Tairāwhiti faces a big recovery bill for our share of the cyclone-damage costs, regardless of the Government's assistance.**

As a result of the cyclone, some properties are too dangerous to live in due to flood or land instability risk. Under the Government's land categorisation framework, these areas are called Category 3 properties.

We estimate we need between \$465-\$725 million to build back the local road network and make it more resilient. Even after significant investments in flood control schemes and roads and bridges, some areas still won't be safe to live in. The Government's offer won't cover the full costs of the cyclone recovery bill.

Whether we accept the Government offer or not, there's likely to be an increase in rates to meet additional recovery costs.

The repair bill is unprecedented and will require a disciplined long-term financial strategy and trade-offs to be made on spending priorities well into the future.

When negotiations with the Government began, Council was facing a total repair cost of \$1.1 billion (mainly roading costs). The negotiations aimed to secure the best support package from Government, to help repair our infrastructure and enable our communities to be safe and connected, while keeping impacts on rates as low as possible.

## Revenue and Financing Policy

As part of setting up a new Council activity for the purchase of Category 3 residential properties, we need to amend our Revenue and Financing policy.

The amended policy can be found in the on Councils website, where you can tell us your views on Council's approach to funding the voluntary purchase of Category 3 properties. In short, it concludes that the costs/benefits are district-wide, and that a funding mechanism to recover costs is the most appropriate. The actual specifics of the rating mechanism will be determined as part of the 2024-2034 Long Term Plan and consulted on with the community in 2024.







## Category 3 properties

**Category 3 is the highest risk in the Government's classification for areas affected by the North Island severe weather events. Areas in the high risk category are not safe to live in because of the unacceptable risk from future severe weather events and threats to life. Homes in these areas should not be rebuilt on their current sites because risks cannot be sufficiently mitigated.**

Council has identified 47 properties as Category 3. This number may increase as further assessments are made.

The terms of the Government support package require Council to contribute 50% of the costs of purchasing properties or acquiring a property right for mixed use Category 3 properties. Mixed use land is where a house is located on land used for another purpose, for example farming or horticulture.

As this is not an approach we had anticipated taking before Cyclone Gabrielle, we're consulting with you on the proposal along with a change to our Revenue and Financing policy.

Although the exact cost won't be known until all the settlements are finalised, the estimated total cost is about \$30m, with Council contribution estimated at \$15m.

The terms of the offer allow Council to renegotiate with the Government if the costs for Category 3 property purchases are greater than estimated. Council cannot renegotiate the 50% share of costs.

The estimated \$15m contribution by the Tairāwhiti ratepayers for the voluntary residential property purchases is a collective response to an event that has had overwhelming impacts and left some areas of the district devastated and no longer safe to live in.

### How it will work

By accepting the Government funding package the Council is effectively agreeing to purchase Category 3 properties. While the purchase costs are shared with the Government, Council will negotiate the process and eventually own the property. For relocation grants, Council will not own the land but will own the residential rights for it.

The purchase details have not yet been confirmed but it's intended that Council will make an offer to property owners with a residential dwelling on their Category 3 land. Council is still developing the policy that will support the voluntary purchase of Category 3 properties. There is a wide range of circumstances that need to be considered before offers to property owners can be made, such as:

- How the value of a property can be fairly established.
- The proportion of a property's value covered through the purchase.
- How residential properties on horticultural or agricultural land are treated, such as relocation grant or purchase.
- Whether insured properties are treated the same as uninsured properties.
- How culturally important land owned by Māori is treated
- Whether holiday homes and rentals are treated the same as primary residences.

For whenua Māori, the Government has created a parallel Kaupapa Māori Pathway, where it's responsible for the compensation for Māori land that's no longer safe to live on. Council does not carry any costs for that process.

# Option 1 THE PREFERRED OPTION – ACCEPT THE OFFER

## Accept the Government's support package of \$204m and an interest-free loan of \$30m over 10 years

The funding package that's been offered allows Council and the Government to progress with voluntary purchases of Category 3 properties. It also unlocks significant financial support for recovery priorities such as roading and stopbank repairs.

No practical alternatives to the Government's support package offer for the region have been identified.

Council wants to ensure that the people of Tairāwhiti aren't left shouldering this heavy financial burden of cyclone recovery without additional support.

The Government has been clear that any wider support package for the region, including additional transport and flood protection funding is conditional on a joint Government/Council contribution to voluntary purchases of Category 3 properties.

## By accepting the Government's offer

- The support package will enable Council to purchase properties, or relocate people to reduce risk from natural hazards, which means moving residents from high risk areas – this is a form of managed retreat.
- Council is responsible for the administration of the categorisation of land, landowner negotiations and purchases. Council will inherit any costs associated with house demolition (where this is not covered by insurance) and the on-going maintenance of the additional properties. The future use of that land will be determined in decisions of Council.
- The Severe Weather Emergency Response Legislation Act and Future of Severely Affected Land package is bespoke to the weather events in early 2023 and does not establish a long term approach or precedent for Council to pay for managed retreat. Government is considering how managed retreat can be best managed through the National Adaptation Plan and Climate Change Adaptation Act.
- Systems and processes will be developed to administer applications through to settlement. Previous experience from other councils such as Kaikoura and Christchurch involved in similar purchase schemes, show that these processes can take several years to finally settle, noting the timeframes depend on the negotiations between the landowner, insurers and Council.

Key Matters	Impacts per year			
	2023/24	2024/25	2025/26	Total
<b>COST</b>				
Total new expenditure	34.9m	43.1m	22.4m	100m
<b>Funding</b>				
Less total new external revenue	-23.1m	-35.5m	-20.4m	-79.0m
Additional Debt	11.8m	7.6m	2.0m	21.41m
Transport Government funding, additional benefit				125.0m
<b>NET BENEFIT TO COUNCIL (Capital only)</b>				<b>167.8m</b>
<b>Concessional Interest free loan</b>				
Plus - Terms 10 years (up to \$30m)				15.5m
<b>OVERALL NET BENEFIT TO COUNCIL (Financing and capital investment)</b>				<b>183.3m</b>
<b>Councils Contribution</b>				<b>8.9%</b>
<b>RATES</b>				
Impact on rates (\$)	0k	706k	383k	1,088k
Impacts on rates (%)	0.0%	1.1%	0.5%	<b>1.6%</b>
Costs include demolition and restoration/maintenance costs on land purchased.				
<b>DEBT</b>	<b>153.9m</b>	<b>164.9m</b>	<b>172.2m</b>	
Net debt as a percentage of Income - (limit to be less than 150%)	129%	132%	136%	

### Changes to the 2021-2031 Long Term Plan for revenue and costs

Description	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$000's							
New expenditure (capital)	53,644	74,358	78,654	18,750	-	-	-	-
Operational costs (depreciation, maintenance)	-	706	1,088	1,245	1,245	1,245	1,153	1,153
New External Revenue	41,880	66,755	76,616	18,750	-	-	-	-
Impact on debt	11,764	7,603	2,038	-	-	-	-	-
Net change in LTP rates revenue	-	706	1,088	1,245	1,245	1,245	1,153	1,153
Changes in rates as a % of pre amendment rates revenue	0.00%	1.09%	0.49%	0.19%	0.00%	0.00%	-0.10%	0.00%

## Option 2 DECLINE THE OFFER

### By not accepting the Government's offer (as outlined in Option 1), the region will miss out on a substantial amount of money to assist with recovery.

Without Government funding we still need to fix local roads and bridges to support our long-term economic and social resilience and funding will be less certain, and timeframes are likely to be extended.

More properties will move into Category 3 because we cannot afford the millions of dollars needed to reduce flood risks.

Council will continue to be obliged to manage the risks to people's lives, applying standard tools under the various acts such as the Building Act and the Resource Management Act.

There will be no obligation on Council to purchase severely impacted residential properties going forwards and owners will need to rely on private insurance and the Earthquake Commission (EQC) insurance policies.

### By declining the Government's offer

If we decline the offer, we miss out on \$64m for flood protection works and \$125m for roading repairs and improvements. Council will consult again about what recovery activities are undertaken in the future. Future activities would be included in a Three-year plan for Council for 2024-2027, and funded by ratepayers. It will take much longer to fund recovery activities without the additional Government funding.

The financial impacts for Option 2 are not displayed as for Option 1, because the impact of not contributing 50% towards property purchases is zero. There would be no impact on rates, and no impact on debt.

Transport funding would be pursued through standard arrangements with Waka Kotahi.

Future decisions of Council would need to consider how community recovery costs would be funded - with consultation on those decision to come at a later date.

Without the funding and associated private property purchases, the responsibility of private landowners for recovery from natural hazard events will not be transferred to Council and wider ratepayers. Expectations for property purchases in future severe weather events would not be established and compensation would remain between insurers and property owners.

#### If the Government deal is not accepted, we will miss out on:

- \$64m for flood protection works which will need to be funded locally.
- Certainty of flood protection works being completed as quickly as possible to protect homes.
- \$125m of roading works that is fully funded.

- Certainty of investment in local roads and bridge resilience, which enables faster economic recovery and reduces future risks of failures in the network.
- Providing Category 3 property owners certainty to move on with their lives and avoiding ongoing financial, mental and social wellbeing implications from continued uncertainty.

**The Government offer is being presented as a case to accept or decline the total package**



# The 2023 General Election

The Government offer is still valid regardless of the general election. If we accept the Government offer, Council will work with Government to progress the funding agreement.



## Summary of options to have your say

### If the funding package is accepted

This will provide those most affected by the impacts of Cyclone Gabrielle with some certainty to move forward; as well as providing financial certainty for Council in local road and bridge repairs and community resilience project planning.

Council can progress with the voluntary purchase of category 3 properties for long term natural hazard resilience. This is a new and unanticipated response to manage risk and help landowners recover from Cyclone Gabrielle.

The cyclone has had a hefty impact on Council's infrastructure and finances. The repair bill in Tairāwhiti is estimated at circa \$1.1b.

This proposal is about securing the support package from the Government to enable us to move forward as quickly as possible.

### If the funding package is declined

Council will need to decide what recovery activities it can afford to fund using standard income sources such as Rates and roading subsidies. It's unlikely Council could afford to undertake the same scale or range of recovery and resilience work, or purchase Category 3 properties if the Government funding package is not accepted.

Even with this Government investment, Tairāwhiti will still have other significant recovery costs to pay.



### Kōrero mai Have your say

Head online to <https://participate.gdc.govt.nz/> to find out more and give us your feedback or Complete a submission form at Gisborne District Council, 15 Fitzherbert Street, Gisborne.



Scan this QR Code to find out more



### Attend an information event

A number of events have been organised for the community to ask questions of Councillors. Check them out here <https://participate.gdc.govt.nz/>

Council will consider feedback at its meeting in early November and decide whether to accept the funding offer from Government.



### Submissions close 5pm on 16 October 2023