

Practical Ramifications of Earthquake Rating for Bodies Corporates

EARTHQUAKE-PRONE BUILDING

Notice under section 133AL of the Building Act 2004

Optional Extra Text
[name of territorial authority] has previously issued a written notice under section 124(2)(c)(i) of the Building Act 2004.

This notice is for -

The building situated at [address], [legal description of land where building is located].

Or

The following part of the building situated at [address], [legal description of land where building is located]; [specify the part, eg by description and location within the building].

The [building/part of the building] has been determined by [name of territorial authority] as earthquake prone.

Or

[name of territorial authority] has not determined if the [building/part of the building] is earthquake prone (because the owner has not provided an engineering assessment), but is proceeding as if it had determined the [building/part of the building] to be earthquake prone.

The [building/part of the building] is a priority building (as defined in section 133AE of the Building Act 2004).

Or

The [building/part of the building] is not a priority building (as defined in section 133AE of the Building Act 2004).

The owner of the [building/part of the building] is required to carry out building work to ensure that the [building/part of the building] is no longer earthquake prone (seismic work). The owner is required to complete seismic work by: [insert date].

Optional Extra Text
The owner of the [building/part of the building] may apply to [name of territorial authority], under section 133AN of the Building Act 2004, for an exemption from the requirement to carry out seismic work. The [building/part of the building] must have certain characteristics to be granted an exemption (see the Building (Specified Systems, Change the

Notice number
[Earthquake rating].or Earthquake rating has not been determined

Use, and Earthquake-prone Buildings) Regulations 2005.

Include if a heritage building This [building/part of the building] is a heritage building to which section 133AQ of the Building Act 2004 applies. The owner may apply to [name of territorial authority] under section 133AO for an extension of time to complete seismic work.

The owner is not required to complete seismic work if [name of territorial authority] determines or is satisfied, in accordance with section 133AQ of the Act, that the [building/part of the building] is not earthquake prone.

In the event that [name of territorial authority] determines or is satisfied, in accordance with section 133AQ of the Building Act 2004, that the [building/part of the building] is not earthquake prone, the owner is not required to complete the seismic work.

Optional Extra Text

Signature:
Position: [Click here to enter text.](#)
On behalf of: [name of territorial authority]
Date: [insert date]

There are many similarities to the role which the body corporate manager has in assisting with building remediation projects



Various Stages

- Noticing that the problem is more significant than just ground movement
- Denial of the extent of the work
- Anger/Frustration
- Process of entire seismic Upgrade or Partial seismic Upgrade



Our first involvement is usually when there is a fail rate on the IEP report

- The alert points are the problems encountered in selling and the impact on the body corporate in obtaining insurances and some owners are potentially oblivious until this point
- Government regulations will continue to evolve but the immediate pressure is for placement of the insurance
- There is also a growing trend to “buy-down” the excess on the insurance excess for earthquake claims although this is prohibitively too costly for most body corporates

The tenacity of the owners of 21 Maunganui Road can only be applauded

It was of course very important that the body corporate proved that Council incorrectly combined the process for identifying whether the building may be earthquake prone with the process for considering the building consent application

Even with this success the body corporate manager and the body corporate owners are left with same grim realities

- The compelling force to progress with upgrading work is the pressure from the bank as vendor sells
- The growing inability of some developments to obtain insurance cover

Let's Look at those Headings Again

- Loan scheme opens for owners of quake prone apartments
- Insurance Council defends Skyrocketing Wellington premiums
- “Grossly uneconomic” – Quake-prone building owner resorts to demolition
- “Wiped out” - Apartment owners headed for “Financial disaster”

Has Dunedin learned quake lessons from Christchurch?



Practical Ramifications

As a body corporate manager we can only reiterate the importance of tenacity to reverse any rules of MBIE

BUT

What we do know also is

- a. There will be a residual stigma impacting on market value
- b. There will be ongoing challenges with obtaining competitive insurance premiums
- c. Banks are becoming more discerning in terms of lending for buildings with seismic work

As the process of building remediation continues throughout New Zealand in residential Body Corporate seismic challenges are increasing

Seismic ratings are now impacting on post 2000 body corporates.

The number of those continues to increase as much of the seismic work tends to center around the stairwells.

What can body corporates be encouraged to do?

- Its unpopular but base all decisions on current data and evidence not emotion
- Government legislation will continue to change but it will be capricious at best

In terms of Insurance...

- The trend, for example, in Wellington body corporates is unfortunately moving to have indemnity insurance only.

Are there any positive steps?

YES!

- Face up and start early to the tough discussion of funding
- Look at alternative options for insurance
- Are we starting soon enough to get brokers to rely on volume negotiation in other parts of New Zealand?
- Develop a support package for our owners for funding
- In the same way that trading banks are reasonably receptive to assist owners with funding on leaky buildings because banks realize that the security will be realized until there is a new code compliance certificate this is the issue with seismic upgrades
- Anecdotally the banks are assisting with seismic work more frequently
- Is there a possibility of obtaining quantity surveyors involved to look at staging options?

As a body corporate manager we can assist in engaging early involvement with Geotech engineers



**Good luck - It is a gruelling process for
all parties**