

***Residential Red Zone***

---

***Answers  
to your  
questions***

---

---

PREPARED BY Canterbury Earthquake Recovery Authority  
PREPARED FOR Residential Red Zone Homeowners

---

SEPTEMBER 2011

---



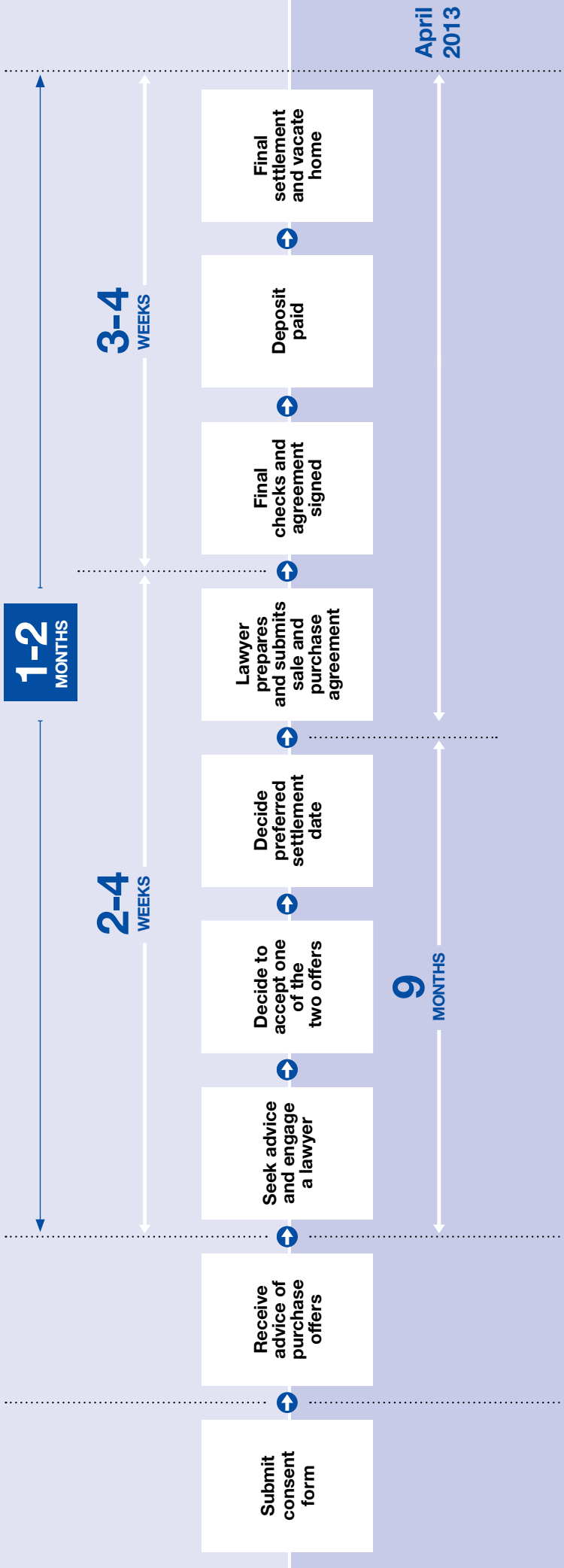
**Canterbury Earthquake  
Recovery Authority**

# Time guide to your settlement

**PROCESS MAY SLOW BECAUSE**

- EQC and insurers delay providing information about claims
- Banks don't provide agreement to sell i.e. discharge mortgage
- Lawyers taking time to prepare agreements
- Properties where several parties need to agree to sell
- Complications with unit titles and cross leases

Minimum estimated time to complete transaction where all required information is available.



Maximum time period to complete transaction is April 2013

**IMPORTANCE OF TAKING TIME**

- Extremely important decision to make
- Need to take appropriate advice
- Need to work out next step
- Need to fully understand insurance entitlement
- Need to understand which option will benefit you the most

---

# Contents

---

<b>FREQUENTLY ASKED QUESTIONS</b>	<b>2</b>
<b>PURCHASE PRICE</b>	<b>6</b>
<b>FIXTURES AND CHATTELS</b>	<b>7</b>
<b>EQC</b>	<b>8</b>
<b>BANKING</b>	<b>8</b>
<b>INSURANCE</b>	<b>9</b>
<b>UNIT TITLES &amp; CROSS LEASES</b>	<b>10</b>
<b>ZONES</b>	<b>10</b>
<b>BUILDING IN THE GREEN ZONE</b>	<b>12</b>

---

## Frequently asked questions

---

### **Q: What are the offers being made by the Government?**

The significant amount of damage that has occurred in the residential red zones presents challenges that are likely to take a long time to overcome. Therefore the Government is offering to purchase the properties of insured residential property owners to provide them with options that will enable them to plan for their future.

- **Option 1:** The purchase price for your property will be the most recent rating valuation of your land, buildings and other improvements less any deductions. Details of the type of deductions that might apply are set out below. Under Option 1, the Crown will purchase your land, buildings and other improvements and will also take over all insurance claims for your land and buildings from the date that the sale and purchase agreement is signed by all parties.

You should keep dealing with EQC and your private insurer in relation to any contents claims not yet paid out. Also, there may be personal insurance benefits (such as rental allowances, stress payments etc) available to you under your private insurance policy.

While everyone's situation will differ, generally speaking, if your house has only minor damage then Option 1 is likely to be more suitable.

If, after receiving your offer letter, you settle your claims relating to your property with your insurer and/or EQC as a total loss (eg beyond economic repair), you will only be able to accept Option 2.

- **Option 2:** The purchase price of your property will be the higher of:
  - a) The most recent rating valuation of your land only less any deductions; or
  - b) The land settlement amount that EQC eventually pays to the Crown, less any deductions.

Under Option 2, when you sign the sale and purchase agreement, the Crown will purchase

your land and buildings and take over your EQC claim relating to land damage only.

You will continue to deal directly with EQC and your private insurer for all other claims. You may wish to choose Option 2 if you consider that your house insurance would result in you being paid more for your building and improvements than the full rating valuation.

Details of the type of **deductions** that might apply under Option 2 are set out below. These deductions will be decided after CERA receives information from your insurer and EQC.

If you take Option 2, and the amount that the Crown initially pays you for your property (ie your land rating valuation) is less than EQC's eventual payout to the Crown for the land damage, the Crown will pay you the difference between EQC's payment and the amount you have already received.

Right now it is not clear how long it will take in each red zone area to determine the amount of EQC land payments. It is possible that any top up payment may be as long as two years away. It is also very hard to say if you will be eligible for any top up.

While everyone's situation will differ, generally speaking if your house is a total loss and you have full replacement cover, then Option 2 is likely to be more suitable.

### **Q: When will I receive my offer of purchase from the Government?**

CERA will send a consent form to all insured residential property owners in the red zone. You will need to complete all sections of the consent form in full and return it to CERA as soon as possible. An offer to purchase your property can only be issued once CERA has received a correctly completed form signed by all property owners

Homeowners can also download a copy of the consent form from the CERA website, and will have up to nine months from the date of the offer

---

to consider and decide whether they wish to accept either option.

***Q: Will landowners who have not received EQC payments get their offers before those who have received money from EQC?***

No. Offer of purchase letters will be sent to insured residential property owners as they return their completed consent forms.

***Q: Will there be a deposit paid and then a settlement later?***

If your settlement date that is more than six weeks after the sale and purchase agreement is signed by all parties, a deposit will be paid soon after the sale and purchase agreement is accepted. This deposit will be the lesser of:

- 50 per cent of the purchase price less any insurance payments already received; or
- \$50,000.

***Q: Will there be a priority list for accepted sale and purchase agreements to be processed?***

No. The accepted sale and purchase agreements will be processed as they are received unless you have applied to be fast tracked.

***Q: Who will pay rates prior to settlement?***

If you accept the offer you remain responsible for the rates until ownership of the property has transferred to the Crown. This is normal practice in property transactions.

***Q: Who pays for the demolition of my home?***

The Crown will be responsible for those costs under Option 1. If you choose Option 2, the private insurance company will be responsible for the costs of demolishing your house (subject to any terms in your policy).



---

## **Frequently asked questions continued**

---

### **Q: Can I accept the offer as soon as I receive it? I just want to move on.**

Yes, but this is an important decision so you need to consider it carefully. You must, however, use a lawyer. You cannot complete the sale and purchase agreement yourself.

### **Q: Where can I get advice?**

If you do not already have a lawyer, the New Zealand Law Society website ([www.lawsociety.org.nz](http://www.lawsociety.org.nz)) provides a list of property lawyers. You could also contact Community Law Canterbury (Phone 03 371 3819, or visit [www.canlaw.org.nz](http://www.canlaw.org.nz)).

The Christchurch Earthquake Appeal Fund is supporting a project to ensure information and advice is available to help you make your financial decisions. For more details please visit the [www.christchurchappealtrust.org.nz](http://www.christchurchappealtrust.org.nz) website, and refer to the special section called 'My financial decisions'.

### **Q: We purchased our property after 3 September 2010. Does this offer apply to us?**

Yes, the offer applies to the current owner. The purchase price offered by the Crown will be based on the rating valuation in place prior to 4 September.

### **Q: What if I haven't received my offer?**

If you have not received an offer letter and you have returned your consent form, then please contact the Crown settlement agent on 0800 237 277. We will also be proactively contacting those who have not returned a consent form.

### **Q: Will there be a fast-track process for special cases?**

CERA will fast track the settlement process in some special cases (eg where people are seriously ill or delays would create severe hardship). Any requests for consideration as a special case should be submitted in writing, along with detailed supporting information, outlining the reasons why to CERA Chief Executive, Private Bag 4999, Christchurch 8140.

### **Q: Will owners be allowed to continue living in the property after settlement?**

No. The Crown will require vacant possession on settlement. This means that any tenancies or occupation of the property will need to come to an end prior to settlement. The last available settlement date is 30 April 2013.

### **Q: Can I rent my house from the Crown?**

The Crown is buying these residential properties in the red zone "as is" - the Crown does not have any exemptions from the compliance laws that relate to landlords. By definition most houses will not meet those standards. The Crown is not intending to allow any occupation of these houses after settlement. The purpose of offering to purchase insured residential properties in the red zone is to give certainty to homeowners sooner so they can move on.

### **Q: Can I store my possessions in a house I have sold to the Crown?**

The Crown will not accept any risk for items left in any houses after settlement of the purchase of those houses by the Crown. Any items left in the houses will be assumed to have been abandoned and will be removed and recycled or dumped as part of the property management and demolition process. Except in exceptional circumstances (and even then only with the prior written permission of CERA) vendors will not be allowed to access their former properties after completion of the sale of those properties to the Crown. Where an insurer has declared a house a total loss we are told they will generally arrange with their client to either

---

move their possessions to the client's new house or arrange for them to be stored if the new house is not ready.

***Q: What warranties will the sale and purchase agreements require?***

Warranties associated with the following issues will be included in the sale and purchase agreements:

- That there are no outstanding charges associated with the property.
- That your insurance and claims are valid and the statement of apportionments on settlement is correct including insurance money already received.
- That the vendor's solicitor will give notice to the territorial authority, regional council and relevant authority including, where appropriate, the body corporate.

***Q: Will the Government make a contribution toward legal fees?***

To help ensure you get the legal advice you need, if you accept the offer, the Crown will meet 50 percent of the costs of your legal advice, up to a maximum contribution of \$750 for Option 1 and \$500 for Option 2. This amount will be paid directly to your lawyer on settlement.

***Q: Will a translation service be available to red zone residents who cannot speak English?***

The Department of Internal Affairs has a translation service that may be made available. If you are not comfortable speaking in English, you should contact CERA who will put you in touch with someone who can help.

***Q: What if I have tenants in my property?***

You must agree a vacation date with your tenants before deciding on your settlement date.

---

# Purchase Price

---

**Q: What is the purchase price based on?**

The purchase price is based on the latest rating valuation of your property. For Christchurch City this is the 2007 rating valuation and for Waimakariri the 2008 rating valuation. These were current prior to 4 September 2010.

**Q: Where do I find my rating valuation?**

Christchurch residents can check their current rating valuation through the Christchurch City Council website <http://ratesinfo.ccc.govt.nz> and Waimakariri District residents through the [www.waimakariri.govt.nz](http://www.waimakariri.govt.nz) website. It is also set out on your rate demand.

**Q: Can the purchase price be set using an alternative valuation mechanism to the most recent rating valuation?**

No. The offer is based on the most recent rating valuation which is a fair reflection of the value of properties immediately prior to September 2010.

**Q: Does the rating valuation settlement base apply regardless of what type of house insurance I have (i.e. indemnity versus replacement)?**

Yes.

**Q: Will the Government offer of the most recent rating valuation to red zone homeowners be irrespective of the amount of earthquake damage to the property?**

Yes.

**Q: I have added an extension to the house since the most recent rating valuation. Will the purchase price reflect this?**

If you have the appropriate consents from the Council for the extension, that should have been recorded and the rating valuation updated on the basis of that information. If the valuation has not been adjusted for this consented work, you can apply to have your purchase price reviewed.

**Q: I believe my property has more value than the rating valuation (e.g. because of river views). Is this negotiable?**

No. The Government's offer of purchase is based on the most recent rating valuation.

**Q: I challenged my original rating valuation and received a higher value. What rating valuation will apply for calculating the purchase price?**

If you received a higher review rating valuation than the original valuation, then this will be the most recent rating valuation for your property.

**Q: I challenged my original rating valuation and received a lower value. What rating valuation will apply for calculating the purchase price?**

If you received a lower review rating valuation than the original valuation, then this will be the most recent rating valuation for your property and it will apply.

---

## **Fixtures and Chattels**

---

### **Q: How will the offers work for chattels?**

The Crown is not buying your chattels. You must remove any chattels that you wish to take with you before settlement. Chattels are generally property that is not fixed to the land or its improvements and includes blinds, curtains, drapes, rugs, unfixed carpets, soft-wired or plug-in stoves and lightshades as well as garden plants and ornaments. You should talk with your insurer before removing any chattels over which you have submitted a claim for damage.

Generally speaking, fixtures and/or buildings are physical property that is permanently attached or fixed and may damage the property if removed such as kitchens, floorboards, bathrooms, windows, doors, fixed floor coverings, hard-wired light fittings and hard-wired stoves.

The Crown will take ownership of any chattels that remain at the time of the settlement of your property (subject to any rights of your private insurer or any other person in relation to your chattels).

### **Q: I live in the residential red zone and I have a wood burner. If I build a new house in another part of town, can I install a new wood burner?**

If you are rebuilding outside the metropolitan area of Christchurch (ie outside Christchurch Clean Air Zone 1), you can install a compliant wood burner. This area includes Kaiapoi, Lyttelton and the rest of old Banks Peninsula District, the rural fringe of Christchurch city, Pegasus town, Rangiora, Lincoln, Prebbleton and Akaroa). Depending on where you build, you may need a resource consent from Environment Canterbury.

If you are rebuilding in metropolitan Christchurch (in Christchurch Clean Air Zone 1), you will not be able to install a wood burner in your new home.

### **Q: Can I take buildings or fixtures with me?**

If you wish to remove buildings and other fixtures (including woodburners) from the property:

- For Option 1 you will need to contact CERA's demolition team. Whether or not CERA can agree to you removing any building or fixtures will depend on whether the insurer is able to confirm to CERA that the removal of such items will not prejudice the insurance claims for the property. If you wish to discuss this option, contact CERA's helpline on **08007464-2372** and you will be put in touch with CERA's demolition team.
- For Option 2, you will need to deal directly with the insurer before settlement.

### **Q: Is there a cost relating to the removal of fixtures and buildings?**

As the Crown is buying your entire property, including fixtures and/or buildings, there may be a charge associated with taking and removing any fixtures and/or buildings from your property. Property owners will be responsible for these costs. Each case will be considered individually and the CERA demolition team will assign a Case Manager to your property who will be in touch in due course to work through this process with you.

---

***Q: What will happen if I have not made an EQC claim within the statutory time limits?***

You will still be entitled to the Crown's offer.

***Q: If EQC has paid for emergency repairs and now our property is zoned red - will that amount be taken off the purchase price?***

If you can provide evidence that the amounts received from EQC have been spent on repairs, or if all insurance payments are in total less than 5 percent of the purchase price these amounts will not be deducted from the purchase price.

***Q: What will happen where property owners have already received insurance/EQC payments for repairs?***

If you have received payments that:

- you can evidence have spent on repairs to your house and land; or
- are in total less than 5 percent of your purchase price.

The amount will not be deducted from the purchase price. All other insurance payments relating to the property received by you will be deducted from the purchase price.

---

***Q: Will the deposit go to the bank as mortgagee of my property?***

It will depend on your individual circumstances, and you will need to talk to your bank about its requirements.

***Q: Will the bank let me use my deposit towards a new property?***

It will depend on your individual circumstances, and you will need to talk to your bank about its requirements.

***Q: Will my bank agree to reinstate the mortgage at the same rate and on the same terms as I had before the September/February earthquake?***

It will depend on your individual circumstances, and you will need to talk to your bank about its requirements.

---

# Insurance

---

***Q: Do we have to turn down the Government's offer before talking to our insurance company?***

No. The intention of the nine month period for your to consider the Government's offer is so you can be as informed as possible before making a decision, including having all information from your insurance company and any independent advisors you may seek advice from.

***Q: What if I decide not to take either option but remain in the red zone, will CERA or the Government interfere with our rights to take action against our insurers?***

You can still make claims against your insurer.

***Q: How will any disputes between owners and their insurers be resolved?***

All the main insurance companies are members of the Insurance and Savings Ombudsman (ISO) scheme which can hear disputes up to \$200,000 and higher if the insurer agrees. The ISO will remain as the main disputes resolution forum for disputes under \$200,000. Disputes over \$200,000 can be heard in Court. EQC is not a member of ISO. In addition to ISO, all disputes can be heard in court. The Disputes Tribunal can hear disputes up to \$20,000 in value. We recommend you attempt to resolve any issues with your claim direct with your insurer to the extent possible.

***Q: Will there be purchase price adjustments for under insured properties?***

If your property is underinsured by more than 20 percent (for example, because it is insured for a fixed sum which is less than the rating valuation or its size is under-declared on the policy), the Crown's offer to pay the most recent rating valuation will be reduced by the percentage that you are underinsured. The Crown will work out whether you are underinsured by talking to your insurer and looking at information about your property. This will become clear during the settlement process and is something that will be resolved by your lawyer and Crown settlement agent.

***Q: How long will owners who accept an offer be required to continue their insurance?***

Any private insurance you have needs to remain in place until you settle with the Crown unless your insurer does not renew your policy, or cancels your policy.

---

## Unit Titles & Cross Leases

---

### **Q: How will the offers work for unit titles and cross leases?**

For unit title and cross leases, insurance arrangements vary. In some cases individual owners of units/apartments will have individual building insurance. In other cases, there will be joint insurance of the whole building, perhaps arranged by a body corporate.

Acceptance of the offers for unit titles will depend on the type of insurance cover in place for the unit title properties:

- Individual unit title owners may accept Option 1.
- If the unit title properties have joint insurance, unit title property owners can only accept Option 2 if they all agree.
- If the unit title properties have individual insurance, each owner can individually accept Option 2 without the need to get any other owners to agree.

There will be different rules for different types of cross leased properties:

- Individual cross lease owners may accept Option 1.
- If the cross leased properties have joint insurance, cross lease property owners can only accept Option 2 if they all agree.
- If the cross leased properties have individual insurance, each owner can individually accept Option 2 without the need to get any other owners to agree.

---

## Zones

---

### **Q: Some land in the residential red zone is worth less than it would be to buy equivalent land elsewhere. Who will make up the shortfall?**

The difference will need to be financed by homeowners themselves. Some banks are offering attractive mortgage options for homeowners in the residential red zone.

### **Q: I am in the Orange / White zone. When can I expect the assessment and release of information for my area to be completed?**

The first priority for reclassifying any orange zones was those in the Waimakariri District and this has already happened with Kaiapoi. The aim is to be in a position to announce the reclassification of all areas as soon as possible over the next four to five months.

Over a dozen agencies are working together, including GNS Science, Land Information New Zealand, the University of Canterbury, EQC, private insurers, geotechnical engineers Tonkin & Taylor, the Department of Building and Housing, and the engineering and infrastructure teams from the Christchurch City Council, and the Selwyn and Waimakariri District Councils.

Their information and mapping, showing upward, downward and sideways land movement, is being shared with EQC and the private insurers to build a comprehensive layer-by-layer picture of what has happened to the land on every damaged section in the greater Christchurch area.

Prior to the 13 June aftershock, initial indications were that some land has moved as much as 1m vertically and 3m horizontally.

Due to the 13 June aftershock, this work needs to be reassessed. The cost of any possible engineering measures that could fix the large areas of severely-damaged land and assessing whether that exercise is viable also needs to be looked at again. Viability is not simply about the cost of fixing the land. If every house in a street, damaged or not, needs to be removed for land remediation to take place, how long will this take? Where will people

---

---

go? Will they want to return? What will this mean for communities, their schooling and employment? These are questions the Government needs to ask and answer, and are in addition to the strict economics that will inform insurance decisions.

While the scientific work being done to build a picture upon which to make decisions is massive and complex, so too is the work necessary to deliver fair and adequate payouts for the residents of Canterbury who will have to move.

We acknowledge it's tough and patience is wearing thin, but we hope to be able to provide some certainty for homeowners soon.

***Q: Our business premises are in the red / orange zone. What is happening there?***

We will be working through the options for business premises in the coming weeks and will get information to this group as soon as possible. Recover Canterbury is providing support for businesses and can be contacted on 0800 50 50 96.

***Q: One side of my street is zoned red the other orange. How can that be?***

The decision was made based on geotechnical engineering advice. It may be that the street, due to its compaction of soil, has provided a buffer for lateral spread, for example. Further work needs to be done in the orange zones before they can be reclassified to red or green.

***Q: Will the council maintain services to the residential red zones while people are still living there?***

Your local council will not be putting in new services but will be fixing up what it can (e.g. potholes). We are anticipating some people will remain in the residential red zones until April 2013, but areas are expected to become less populated over time. The council will need to continually review as appropriate.



---

# Building in the Green Zone

---

## **Q: Do I need a geotechnical report to begin building in a new subdivision?**

When looking to buy land in a new subdivision it is a good idea to consider seeking a written geotechnical report from the developers. Your local council will be able to advise on the need, or not, for a geotechnical report prior to applying for a building consent.

## **Q: Can I demand a geotechnical report / investigation?**

Before signing up to buy land or a building you could discuss and agree that the contract is subject to a satisfactory geotechnical report / investigation.

## **Q: If there are issues with the land in the subdivision what do I need to do?**

You need to seek professional advice on what, if any, extra work needs to be carried out to ensure the land is suitable for building and the house foundations are in compliance with the requirements of the Building Code. This may incur extra costs and you need to make sure that you are aware of the full amount of these costs, and discuss and agree where those costs fall, before entering into a contract.

## **Q: Where can I get advice on geotechnical issues?**

The specialist skills required to compile a geotechnical report can be provided by engineering consultants. Many geotechnical engineers can be found in the Yellow Pages, but make sure that you check that the engineer preparing the report is a registered Chartered Professional Engineer. You can check the register at <http://www.ipenz.org.nz/ipenz/finding/cpeng/search/search.cfm>. If you cannot find an engineer on the register you can phone the IPENZ registrar on +64 4 473 9444.

## **Q: What is the likely cost of a geotechnical report?**

Costs will vary depending on the land and the type of engineering investigations required. We recommend that you seek quotations before deciding which engineer to use.

## **Q: Is a geotechnical report really necessary?**

We recommend it. We suggest you also check whether you can get any insurance without a geotechnical report. The requirement for a geotechnical report for a building site is international best practice. There are many areas in New Zealand where, because of the nature of the land, councils require home builders seek a geotechnical report before they build a house.

## **Q: Can a map be provided of where land or sections for sale are available?**

CERA has been working with the Department of Building and Housing to identify land that is likely to become available in the next three to five years. That information is being analysed and we will be making information available in the months ahead.

Property developers also seem to be advertising in local papers regularly, so we would encourage you to also review that information. You are, however, advised not to enter into any contract to buy land without discussing it with your lawyer or other adviser.

## **Q: What land repair and remediation may be required on green zone properties?**

Properties in the green zone will have to be rebuilt to the Department of Building and Housing guidelines, which are currently being revised. If there is some land damage or liquefaction on your property, this can be dealt with through the usual EQC processes and on an individual basis. There will be some isolated exceptions in the green zone where further geotechnical assessment may be required. This will be dealt with by EQC and your private insurance company under normal insurance processes.



